

NEWS: INTERNATIONAL

Brussels stance on VW grant attacked

By Judy Dempsey in Bonn

The European Commission had no right to intervene in the decision by the Saxony government to grant Volkswagen, the car manufacturers, DM241m (\$164m) of subsidies that Brussels had blocked last month, according to Mr Kurt Biedenkopf, Premier of the east German state.

His remarks, published today in *Der Spiegel*, the weekly news magazine, signal a determination by the Saxony government to stand

by its plans to grant Volkswagen the subsidies, even if it means following through with its threat to bring the Commission to the European Court of Justice.

His remarks follow an ultimatum last Friday by the Commission that Saxony had until August 10 to comply with its earlier ruling which found the outstanding DM241m due to Volkswagen was not in line with conditions set by Brussels.

But in a sharp attack on the European Commission, Mr Biedenkopf accused the

Commission of "making politics" that had nothing to do with its main role, suggesting Saxony and Brussels were set on a collision course.

The hardline stance by Mr Biedenkopf, a senior member of Chancellor Helmut Kohl's ruling Christian Democratic Union (CDU), has placed the German government in an embarrassing position.

Bonn, Saxony and Volkswagen had lobbied long and hard in Brussels to have a total subsidy of DM740m accepted by the Commission.

economic conditions in eastern Germany.

Under special subsidy arrangements for eastern Germany, agreed between Brussels and the German government soon after unification in 1990, investors moving into the five eastern states would be eligible for special grants to compensate for the poor infrastructure and inadequate labour skills.

Volkswagen, which had been asked to invest in modernising or developing new car plants at Mosel and Chemnitz in Saxony, agreed to invest DM3.5bn on condition of obtaining DM740m of publicly financed subsidies. By this year, it had invested DM2.5bn and had received DM539m.

The nub of the issue between Saxony and Brussels is that after its initial decision to invest, Volkswagen scaled down its investments – and similarly Brussels revised the subsidies downwards. But Volkswagen later reverted to its original investment decision and reapplied for the original grants.

Expectations mixed on new telecoms law

Germany's new telecoms law has been hailed as one of the most important to pass through parliament this session, largely because of expectations that it will cut industry costs and spur competition in Germany's telecoms market. Europe's largest, which is expected to have turnover of over DM100bn (\$65bn) by 2000.

But executives at many of Germany's biggest companies are left wondering whether the details will actually permit the competition which the law envisaged.

The law itself sets ambitious goals: anyone fulfilling basic criteria may apply for a telecoms licence anywhere in Germany.

Mr Wolfgang Bötsch, telecoms minister, hopes that will encourage all sorts of companies, especially smaller ones, to have a go at Deutsche Telekom, the monopoly which still has a 56 per cent share of the market for telecoms services.

Certainly executives at many of Germany's biggest companies, such as Mannesmann, Veba and Thyssen – all eager to get away from cyclical businesses such as steel and engineering and into telecoms – are delighted the telecoms law has finally been passed – and on time.

They are also pleased Mr Bötsch saw off a challenge from Germany's 16 *Länder* or states. They traditionally have a say on questions such as media regulation but, despite their best efforts, will not have any substantial influence over the new regulatory authority which is to oversee competition on the telecoms market.

Länder hoped that Germany would be divided up into 15 or so regional licences were also scuttled. The regional licences would have covered a mix of urban and rural areas, guaranteeing, so the states said, that less lucrative rural regions would also get state-of-the-art telecoms services.

Instead Mr Bötsch ensured new operators could nominate any region – northern Berlin, for instance – and offer telecoms services in it. That gives more flexibility for new operators and is supposed to ensure that Deutsche Telekom's monopoly will be challenged more aggressively.

How much prices will fall once there is competition also remains unclear. The telecoms ministry proudly points to mobile phone prices which have fallen considerably since the service was liberalised in 1992. Much, as Mr Gerd Eickers, a leading executive at Thyssen Telecom, points out, will also depend on the new regulator who will oversee the telecoms market.

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By Robert Graham in Rome

Italy's centre-left government has approved a major overhaul of the country's ailing judicial system.

The measures were drawn up by Mr Giovanni Maria Flick, a prominent lawyer and jurist drafted into the centre-left government as justice minister, and were agreed after a cabinet meeting late on Friday.

Framed in seven draft laws, they range from changes in the entry system into the judicial profession and redefining the role of judges to cutting the backlog of civil cases and a new geographical redistribution of courts.

Much attention has been

focused on finding means to speed up the initial stages of the judicial process and make more efficient use of existing resources.

The main reform in the courts of first instance is to remove the distinction between judges who preside over minor civil and criminal cases (*the pretori*) and those dealing with more serious offences. Also, instead of having a panel of judges sitting on the same bench, except for very specific serious offences, judges will preside alone in courts of first instance.

This is to be accompanied by a countrywide reorganisation of the 164 county courts, *tribunali*, to reflect the real workload since the existing

courts system was based on political and demographic considerations at the beginning of the century. The *tribunali* will be located in each of the 100 provincial capitals with satellite tribunals in big cities and areas of high crime. Overall some 40 tribunals will disappear.

Another approach to preventing courts being overburdened with minor cases will be expansion of the use of justices of the peace (*giudici di Pace*). The justices' sentencing powers, limited to non-custodial areas, will be extended to allow more discretion on fines for minor crimes.

To tackle the backlog of some 2m civil cases, panels

will be set up formed of

retired members of the judiciary, retired lawyers and academics.

The panels will have wide-ranging powers to take rapid decisions. At the same time lawyers and jurists will be recruited in limited numbers on to the panels of the appeals court to give more impartiality and assist in complex cases.

The cabinet also approved new rules to tighten professional standards and avoid conflicts of interest. Both these elements have contributed to high levels of corruption that have permeated the judicial system. One of the most controversial measures has been to ban the judges from accepting lucrative jobs on arbitration tribunals.

The commission has a broad brief that ranges from reinforcing the powers of the executive and re-examining the roles of the head of state and prime minister to introducing a more federal structure for the Italian state. Despite tensions, the centre-left government and the rightwing opposition showed they were willing to push ahead with constitutional reform.

Those voting against the setting up of the commission were the populist Northern League, which believes the reforms will not go far enough in devolving power to the regions, and the marxists in Reconstructed Communism, who wanted to mark their distance from the government-opposition deal.

Robert Graham, Rome

Danish defence chief killed

Denmark's defence chief was among nine people killed when a Royal Danish Air Force aircraft crashed as it came in to land in the Faroe Islands. The aircraft hit a cliffside as it approached an airstrip on the westernmost part of the Faroe Islands in the North Atlantic. It was bringing a military delegation back from an official visit to Greenland and Iceland. The defence chief, Admiral Hans Joergen Garde, 57, (pictured left) took over Denmark's highest military post last April. The other victims were the four crew, Adm Garde's wife and three officers. The Faroese Naval Station said visibility at the time of the crash was "average to poor" with fog and southwesterly winds, raising problems of landing at the very short airstrip. Reuter, Copenhagen

Rome plans judicial overhaul

Gordon Cramb contemplates shift to a professional military

The "hairnet army" is no more. Two Dutch servicemen on manoeuvres in Italy were sent home late last month because their locks were unacceptably long, signalling the end of Europe's most indulgent military machine.

The Netherlands' forces acquired the nickname in the 1970s when the nets were issued to conscripts resisting officers' wishes that they be shorn.

The tougher regime accompanies the completion of a shift to a professional military, nearly halved from its previous size.

The last conscripts will be discharged this month, save for 200 marines who are to remain until November and will be paid as professionals.

From a total forces strength of 128,000 by the time the Berlin Wall came down, only 85,000 (including some 19,500 civilian support staff) remain, and that number is due to decline to 77,000 by the end of the decade.

Units have been dissolved or reorganised, and the speed of the changes, under the three party left-liberal coalition which took office two years ago, brought dismay in senior ranks.

Lieutenant General Hans Couzy marked his retirement last month as commander of the army by publishing a book lambasting his political masters. It emerged that he had not spoken to Mr Michiel Patijn, the defence ministry's top civil servant, in more than a year.

Gen Couzy, who is described by one retired colonel as frustrated and a bad communicator but good at his job, implemented the sack-out under protest. He compared the army with himself as manager, saying his role was to limit risk while being willing to take expensive and unpopular decisions.

They enjoy lucrative regional electricity monopolies and are likely, Prof Möschel says, to transfer their "monopoly mentality" to the telecoms market.

If other investors see that their competitors have a virtual licence to print money from their monopoly profits (from their electricity activities) they will shy away and the number of operators will necessarily remain small," Prof Möschel says.

As Germany now edges towards full-scale liberalisation of the telecoms market there are worries, however, that some new entrants may bring bad habits with them. Professor Werner Möschel, a member of Germany's Monopolies Commission, notes that most of the companies trying to get into telecoms are electricity utilities such as RWE, Veba and Vias.

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And if the army was a business, its product was in demand. A Dutch battalion played a prominent role in the peacekeeping operation



Unique in the world: the Dutch army's Bicycle Band practise at their headquarters. The latest moves signal the end of Europe's most indulgent military machine Ray Roberts

for former Yugoslavia. But charged with the defence of the Moslem enclave of Srebrenica, it was unable to prevent its fall to the Bosnian Serbs a year ago with the loss of several thousand Muslim lives.

Under the new regime, recruits can sign up for as short a time as two years. While this means salaries have to remain competitive, those enlisting are on the whole less well educated than the conscripts, who often arrived after university.

The Dutch military itself is, more than most, known as an education factory, freely providing skills – from basics such as a driving licence to language or medical training – which servicemen can use in later life.

Among the most difficult aspects of the changeover has been adapting the forces' education system to the level of the new intake, says Mr Otte Beekstra, defence ministry spokesman for personnel issues. "We will give them time to study."

One aim is to keep the ranks occupied and inter-

ested, rather than seeking an escape from boredom through other means than watching their hair grow. Five professional soldiers were jailed last month for selling or using the drug ecstasy at their base in Germany.

The case was seized on by Dutch rightwing politicians as evidence of a *kaiser faire* attitude among the defence leadership.

But for a government anxious to assure European partners that its toleration of cannabis use at home does not extend either to other illicit substances or to citizens it sends abroad for selling or using the drug ecstasy at their base in Germany.

The demonstration delayed about 150 tourists – mostly Americans – from disembarking after a cruise through the Greek islands. The union declared a two-day strike on August 16-17 to back demands for restricting cruises by foreign vessels in Greek waters. It said Greeks' jobs were at risk if international cruise companies, which hire lower-paid Asian cabin staff, took a larger share of the Aegean cruise market.

Shipping minister Kosmas Siyriou denounced the protest as "having an especially negative effect on Greece's tourist industry" at a time of falling tourist arrivals. Some forecasts indicate a drop in arrivals this season by more than 10 per cent.

Orient Lines, owner of the Marco Polo, has said it will continue to disembark passengers in Piraeus, despite the protest. Keri Hope, Athens

World fishing body urged

An international fisheries congress has concluded in Brisbane amid suggestions that an international body needs to be established to oversee the world's \$70bn fishing industry.

After five days of meetings between leading scientists and fish management authorities, Mr John Glazier, congress chairman, was reported as saying that a first draft of a constitution had been prepared for the body, which could include members from Australia, China, Mexico, US, Japan, Norway and Denmark.

He indicated that consultation on the new body would continue over the remainder of the year with further decisions on the make-up and constitution expected over that time. The aim of such a body would be two-fold – to monitor the world's disappearing fisheries while making recommendations to fisheries managers using the latest scientific data and to ensure such data were available freely to all countries.

No formal proposals were put to the conference, but delegates at the Second World Fisheries Congress said there was general recognition of the need for "some sort of overarching body" which could help bridge the gulf between long-term resource management requirements and the short-term political horizons of national governments.

It remains unclear under what auspices such a body might be formed. Nicki Tait, Sydney, and agencies

Turks exhume the past with Enver's reburial

By John Berham in Ankara

The mortal remains of Enver Pasha, a founder of the Young Turks political movement in the dying days of the Ottoman empire and later a rootless political adventurer, returned to Turkey at the weekend 74 years after his death.

Enver was feted as a national hero when his body was buried in Istanbul yesterday. President Suleyman Demirel presided over the

ceremony. However, Enver was once reviled as the dictator who took the Ottoman empire into the first world war on Germany's side and as traitor to Kemal Ataturk, founder of modern Turkey.

But nostalgia for Turkey's imperial past is growing among Islamists who claim the Ottoman sultans enlightened rule was guided by Islamic law. Turkey's ultranationalist movement see the empire as an expression of Turkish greatness.

Although both political movements have grown strongly recently – the present government is led by the Refah Islamist party – even apolitical Turks look back at the period with pride. One newspaper runs a cartoon called The Last Ottomans describing the final days of the empire through the lives of ordinary people.

Still, Enver, as he is still known – surnames were only introduced 70 years ago and the honorific Pasha

means general – remains as controversial as ever. Many Turks consider him one of the architects of defeat in 1918, which led to the empire's collapse. Outside Turkey he is considered one of the key figures in ordering the massacres of hundreds of thousands of Armenian civilians in the war. These massacres still haunt modern Turkey.

Mediterranean to China. Recent governments have attempted to forge links with the Turkic republics of former Soviet central Asia. After 1918 Enver escaped to Germany and then to Central Asia, where he fought the Soviets at the head of a guerrilla army and ruled briefly as Emir of Bokhara before Lenin sent 100,000 troops to crush resistance. Enver died in a suicidal cavalry charge in Tajikistan against the Soviets.

Michael Lindemann

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NEWS: INTERNATIONAL

Japan town rejects N-reactor

By Emiko Terazono in Tokyo

The Japanese government received a setback yesterday as residents of Maki, a town of 30,000 people in northern Japan, voted against construction of a reactor in the country's first referendum over a nuclear project.

The implications of the referendum were serious, said Mr Ryutaro Hashimoto, the prime minister, referring to the possibility that other municipalities might launch similar ballots. The vote will further undermine the government's nuclear energy programme which is under pressure following the leakage of coolant at Monju, the country's next-generation reactor, last December.

The country's 49 nuclear plants currently supply a third of Japan's energy needs and the government had planned to build at least six more reactors and to raise the reliance on nuclear power to 40.2 per cent by 2010. To lessen reliance on fuel imports, the government has also promoted recycling of nuclear waste into plutonium which, when burned, produces further fuel. Monju, a fast breeder reactor which is a central part of the plutonium programme, has been closed since the leakage.

The rise in anti-nuclear sentiment has already forced some electric power utilities to withdraw plans to build nuclear reactors. Although the country's pro-nuclear movement has been relieved by last month's defeat of a

environmentalist candidate in a mayoral election in the city of Suzu, in western Japan, yesterday's vote is likely to increase the amount of time and government subsidies needed to promote the building of nuclear power plants.

Of the town's 23,000 eligible voters, 12,478 voted against the nuclear power plant's construction by Tohoku Electric against 7,904 in favour. The turnout totalled 86.3 per cent.

While the vote is not legally binding, Mr Takaaki Sasaguchi, the mayor, who was elected last January on a referendum platform, pledged that he would block sales of property.

Tohoku Electric Power announced in 1985 its plan to build a 825,000-kilowatt nuclear plant in the town, then a small farming and fishing community. However, the company's efforts to acquire land have been marred by purchases of small blocks of property by environmentalists and land speculators.

Demand for a referendum mounted in 1994 when Mr Kanji Sato, the then mayor who had been elected on an anti-nuclear platform, announced that he supported the reactor's construction. Mr Sato resigned last December.

The government and Tohoku Electric have indicated that they will not abandon their plans as the electric power company has acquired 36 per cent of the land required.

Slowing exports cut HK growth forecasts

By Louise Lucas
in Hong Kong

Weakening export growth and fragile consumer sentiment have prompted private sector economists to cut their forecasts for growth in Hong Kong this year, suggesting the economy may not be as buoyant as it had been expected to be at the run-up to the handover of sovereignty to China in 1997.

Last week both Hongkong Bank and Hang Seng Bank, the territory's two biggest banks, cut their growth forecasts from 4.8 per cent to 4.6 per cent and 4.5 per cent respectively. The government has stood by its official estimate of 5 per cent.

Peregrine Research Institute, which forecasts growth of 4.5 per cent this year and 4.8 per cent next year, says the upturn in 1997 will only be modest. "Sentiment is very fragile in Hong Kong and there are a number of risks along the line next year which could impact it very heavily," says Mr Mark McFarland, senior economist at the institute.

The catalyst behind the economists' downgrades is the slowdown in export growth, an Asia-wide phenomenon.

Hong Kong, which is changing from a manufacturing-led economy to a service-led one, has been affected both by weakening demand in countries such as the US and by policy changes in China, which hit mainland re-exports through Hong Kong. In the first six months of the year total exports grew by 3.7 per cent in real terms, compared with 14.2 per cent in the same period of 1995.

The deceleration in trade growth has rippled through the economy. Bankers report a drying up of trade financing, a bread-and-butter element of their business, and throughput volumes at the territory's ports grew just 2 per cent year-on-year in the first half. Expansion of the port has been held up by a political wrangle with Beijing and greater efficiency and slower than expected growth in trade have prevented the port from becoming congested.

The government is about to give the go-ahead to the Asian Emerging Dragons Corporation, a group of six Chinese-Filipino businessmen, to construct a third US\$400m terminal at Manila international airport which will increase its capacity to 7.5 million passengers a year.

With international air passenger traffic growing at more than 10 per cent a year, the government is also requesting the Asian Emerging Dragons, which is in partnership with Mitsui, Marubeni and Ital-Thai of Thailand, to upgrade the Clark airbase, 80km north of Manila, into the country's joint leading international airport.

Under the scheme, which will allow foreign companies to join ventures with local companies to take full control of management of the airports, private sector consortia will be eligible to bid for control of any of the 36 main provincial airports on merit.

Bidders, likely to include the East Midlands Airport Authority of the UK and Japanese groups, including Marubeni and Mitsui, can submit tenders under the country's build-operate-transfer (BOT) law. The law, which was last year expanded to nine variants including BOO (build-operate-own) and BLT (build-lease-transfer), is considered the most cost-effective way of upgrading infrastructure including airports.

"We do not plan to impose any type of ownership or privatisation formula on bidders," said Mr Amado Lagdameo, secretary of state for

Tough poker game for Barshefsky

Tokyo held all the cards in chip talks, write Nancy Dunne and Michiyo Nakamoto

Ms Charlene Barshefsky's expected appointment as acting US trade representative will come as some consolation to her after her disappointment in the semiconductor negotiations with Japan.

The negotiations in Vancouver, Canada were particularly tough. The deadline was missed. Ms Barshefsky announced four times that she was leaving, only to return and press on.

The talks, which ended on Friday, did not produce even a government-to-government pact but a "joint statement".

Tokyo held all the cards. For months prime minister Ryutaro Hashimoto had resisted the talks on the grounds that the two US-Japanese semiconductor pacts of the past 10 years had been successful and that the foreign share of Japan's market had far surpassed the 20 per cent "expectation" in the last five-year agreement.

The eventual deal has been received with relief in Japan.

Japanese officials and industry were particularly unhappy with the previous arrangement, which singled out the Japanese market for monitoring and put pressure on industry to ensure foreign chip makers got a growing market share in Japan.

"Until now it was a one-way agreement which targeted the Japanese industry alone, but from now on it will be two-way exchange which will eventually become a framework for industrial co-operation encompassing global markets," said Mr Tsugio Makimoto,



When chips were down, Kantor (left) tried Japan, which took a hard line with Barshefsky

motors, chairman of the electronic devices steering committee of the Electronic Industries Association of Japan.

The Japanese also strongly objected to US proposals for the role of the governments in monitoring foreign penetration of Japan's market.

But Japanese officials expressed satisfaction that, in the final agreement, the role of government is kept to a minimum, and that the principle that any co-operative arrangement should engage all leading semiconductor makers and cover global markets - rather than just the Japanese market - has been accepted.

In practical terms, the consensus is that the agreement is unlikely to have a significant impact on trends in the industry, where cross-border co-operative arrangements have progressed significantly - as a result of market forces and irrespective of formal government agreements.

In Washington, Mr Sherman Katz, a prominent trade lawyer, described the final "joint statement" as the tiniest of "fig leaves".

"The idea is that there will be government meetings yearly to review semiconductor trade but with no power to do anything about it means everyone decided to smile and go home," he said.

Under the agreement, US and Japanese industry associations will create an entity to collect data about the sectors and deliver it to their

for the tactics of Mr Mickey Kantor, the US commerce secretary and former US trade representative, who annoyed his Japanese counterparts and hardened their negotiating stance.

In Detroit last month, Mr Kantor accused Tokyo of not living up to a commitment in an earlier deal to open 200 car dealerships for US companies. Japanese officials said Mr Kantor appeared deliberately to be misinterpreting the agreement - and not for the first time. Mr Hashimoto - who as trade minister earned kudos for saying "No" to the US in previous talks - was angry. In Vancouver, his negotiators' position on chips was unyielding. In the end, Mr Hashimoto said "No" again.

Against this background Ms Barshefsky's reappointment as acting US trade representative may seem the least she could expect for her travails.

Ms Barshefsky was appointed acting trade representative in mid-April, when Mr Kantor took over as commerce secretary after Mr Ron Brown's death in an air crash.

But US law now requires such purity of US trade representatives that they must never have represented a foreign government. Ms Barshefsky, however, advised Canada in a timber dispute before joining the US government.

The president's lawyers, it seems, still have not found a way to qualify her for the job permanently - hence the move to reappoint her on an acting basis.

INTERNATIONAL NEWS DIGEST

Megawati to face police

Mrs Megawati Soekarnoputri, the ousted Indonesian opposition leader, is due to face police questioning today as the authorities push ahead with a crackdown on dissidents associated with recent riots. Meanwhile, the official Antara news agency has reported that the government has imposed a travel ban on an unspecified number of people who participated in a free speech forum held outside the offices of the opposition Indonesian Democracy party (PDI).

Ms Megawati's lawyers said at the weekend that the former PDI leader and several of her advisers had been summoned for police questioning after President Suharto gave approval for selected members of parliament to be questioned. Ms Megawati was ousted by her party last month through a rival faction backed by the government. She said at the weekend she was prepared to answer questions in line with her strategy of pursuing her battle over the PDI leadership through the Indonesian courts.

The Jakarta police chief, Major-General Hamami Nata, was quoted as saying that 113 people detained during the riots had been released but that 123 others would be charged with subversion.

Greg Earl, Jakarta

Taipei unveils typhoon relief

Taiwan at the weekend declared 13 of 21 counties major disaster areas in the wake of Typhoon Herb, which claimed at least 31 lives and caused \$16.7bn in damage to agriculture, fisheries and industry at the end of last week. The cabinet announced low-cost loans for those affected and an easing of imports of fresh vegetables.

Officials said the typhoon would push up consumer prices but would spur the sluggish economy, especially the construction industry. Many bridges, roads and buildings were damaged. Many areas remain without electricity, running water or telephone service. Thirty-five people remain missing.

Laura Tyson, Taipei

Sri Lankan troops advance

Sri Lankan troops backed by tanks and air support renewed a thrust against Tamil Tiger rebels in the north yesterday as authorities braced for a flood of refugees fleeing the fighting, military and aid officials said. Air force bombers and helicopters gunships pounded rebel positions as troops resumed their advance at dawn towards rebel-held Kilinochchi, 220km north of Colombo.

Aid officials said they were preparing 35 schools in and around the frontline town of Vavuniya, 70km south of Kilinochchi, for refugees. "We estimate almost 200,000 people have been displaced by the latest fighting," said an aid official.

The government military offensive was launched shortly after the army's worst defeat of the war, in which some 3,000 guerrillas overran the Mullaitivu base on the north-east coast.

Colombo, Reuters

Bangladesh reforms urged

Bangladesh must sustain economic reforms to create rapid growth in jobs, according to a World Bank policy document launched yesterday. The document, An Agenda For Action, proposes further liberalisation of the economy, speeding up the privatisation programme and streamlining the bureaucracy.

The report comes six weeks after the Awami League, led by Prime Minister Sheikh Hasina, returned to power following more than two decades in opposition. Yesterday, Sheikh Hasina told visiting senior World Bank officials that her government needed time to carry out the reforms. The report says the government should seize the goodwill created by its election to push through badly needed reforms.

The World Bank said Bangladesh was unlikely to attain the 7.8 per cent economic growth needed. Bangladesh's growth in gross domestic product was only 4.7 per cent in the year to end-June.

Kasra Nabi, Dhaka, and Agencies

China targets counterfeiters

China plans to improve the printing of money and has set up a team of investigators to foil growing counterfeiting, the official Business Weekly reported yesterday. Experts are looking into special links and China will import sophisticated printing equipment, said the English-language newspaper quoting a central bank official. Last year, police confiscated nearly Yn100m (\$12m) in counterfeit banknotes, a 30 percent increase from 1994.

AP, Beijing

Malaysia power failure brings industry to halt

By James Kyng
in Kuala Lumpur

Peninsular Malaysia suffered its most comprehensive power failure this decade at the weekend after an equipment fault at one power station caused the national grid to shut down for nearly 15 hours, closing factories and creating havoc in leading cities.

Mr Anwar Ibrahim, deputy prime minister, described the financial losses from the blackout on Saturday as "huge". Supplies were restored yesterday.

Foreign-owned factories,

many of which usually work on Saturday nights, were forced to close.

The blackout is the latest in an embarrassing series for Malaysia's government and Tenaga Nasional, the former power monopoly, which operates the national grid. In 1992, nine out of 12 peninsular states were plunged into darkness after a failure which was attributed to lightning in one part of the grid. That blackout, which took three days to correct, was the main impetus behind a government decision to allow six independent power producers

to go into competition with Tenaga.

Last year, the government upgraded Tenaga for a power failure to Penang, where much of Malaysia's electronics factories are located.

The factories, many of which are subsidiaries of multinationals, were said to have suffered "tens of millions" of Malaysian dollars in losses before power was fully restored 18 days later.

In one incident in this weekend's blackout four children were burned to death in a fire apparently caused by candles.

The government military offensive was launched shortly after the army's worst defeat of the war, in which some 3,000 guerrillas overran the Mullaitivu base on the north-east coast.

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AP, Beijing

Mr and Mrs High-Spender become pariahs

By Edward Luce in Manila

The Philippine government will this week announce plans to privatise the majority of the country's provincial airports over the next few years. The programme, following liberalisation of the domestic airline industry in 1994, initially will target the leading international airport in Manila and the largest provincial airports.

Under the scheme, which will allow foreign companies to join ventures with local companies to take full control of management of the airports, private sector consortia will be eligible to bid for control of any of the 36 main provincial airports on merit.

Bidders, likely to include the East Midlands Airport Authority of the UK and Japanese groups, including Marubeni and Mitsui, can submit tenders under the country's build-operate-transfer (BOT) law. The law, which was last year expanded to nine variants including BOO (build-operate-own) and BLT (build-lease-transfer), is considered the most cost-effective way of upgrading infrastructure including airports.

"We do not plan to impose any type of ownership or privatisation formula on bidders," said Mr Amado Lagdameo, secretary of state for

transport. "What we are saying is that private sector groups can look at each case and decide which is the best type of privatisation to put forward. We will then decide on merit."

The government is about to give the go-ahead to the Asian Emerging Dragons Corporation, a group of six Chinese-Filipino businessmen, to construct a third US\$400m terminal at Manila international airport which will increase its capacity to 7.5 million passengers a year.

With international air passenger traffic growing at more than 10 per cent a year, the government is also requesting the Asian Emerging Dragons, which is in partnership with Mitsui, Marubeni and Ital-Thai of Thailand, to upgrade the Clark airbase, 80km north of Manila, into the country's joint leading international airport.

Under the scheme, which will allow foreign companies to join ventures with local companies to take full control of management of the airports, private sector consortia will be eligible to bid for control of any of the 36 main provincial airports on merit.

Bidders, likely to include the East Midlands Airport Authority of the UK and Japanese groups, including Marubeni and Mitsui, can submit tenders under the country's build-operate-transfer (BOT) law. The law, which was last year expanded to nine variants including BOO (build-operate-own) and BLT (build-lease-transfer), is considered the most cost-effective way of upgrading infrastructure including airports.

"We do not plan to impose any type of ownership or privatisation formula on bidders," said Mr Amado Lagdameo, secretary of state for

travel and luxuries". The term is synonymous in Korea with foreign products.

The public smashing of teeth over imported consumer goods, which accounted

NEWS: INTERNATIONAL

Japanese stake in Chilean producer

By Kenneth Gooding

A Japanese consortium has bought 12 per cent of the \$1.76bn Collahuasi project in Chile, destined to become one of the world's biggest copper producers. It will also provide \$200m towards \$1bn of project finance for the venture.

The consortium, consisting of Mitsui & Co, Nippon Mining & Metals and Mitsui Mining & Smelting, has also entered into a long-term agreement to take an annual 250,000 tonnes of copper concentrate from Collahuasi, or 31 per cent of the mine's total output of 800,000 tonnes.

The Japanese bought their stake from Minoro, the Anglo American Corporation of South Africa subsidiary, and Falconbridge of Canada, which have reduced their holdings to 44 per cent each.

In spite of the turbulence in the copper market, Collahuasi has completed finance agreements that include: \$500m underwritten by ABN AMRO, Canadian Imperial Bank of Commerce, Citibank, Dresdner Bank and Union Bank of Switzerland; a \$170m facility provided by Kreditanstalt für Wiederaufbau; and a \$150m facility provided by the Export Development Corporation of Canada, as well as the customer finance facility provided by Mitsui & Co. N M Rothschild was Collahuasi's adviser.

Collahuasi's shareholders will provide \$740m in equity and subordinated loans. The mine is scheduled to begin commercial production by January 1998 and to produce 330,000 tonnes of copper a year in concentrate and 50,000 tonnes in cathodes at an estimated cash production cost of between \$1.162 and \$1.188 a tonne.

The arrangements are in line with Japan's policy of securing supplies for its copper smelters. Mitsubishi's shareholdings in Escondida in Chile; Freeport Copper & Gold in Indonesia, Highland Gold in Canada and Ok Tedi in Papua New Guinea.

The owners of Japan's six copper smelters: Dowa Mining; Furukawa; Nippon Mining; Mitsubishi Materials; Mitsui Mining & Smelting and Sumitomo Metal Mining.

Most of the time these companies do individual deals with suppliers. But when the mine involved is particularly big and important, they gather together and negotiate as a powerful group, taking it in turns to act as leader.

Last year the pool negotiated terms for 800,000 tonnes of copper concentrate (an intermediate material) or more than 20 per cent of the 3.6m tonnes Japan imported.

The big copper mines on the other end of those negotiations include Escondida in Chile; Freeport Copper & Gold in Indonesia, Highland

By Clay Harris and Kenneth Gooding in London

Britain's Securities and Investments Board has called in the National Economic Research Associates consultancy organisation to help with its review of UK metal trading, announced in the wake of the Sumitomo copper affair.

The SIB hopes to have a consultative paper ready by the end of August which will outline the investment

issues and market structures.

The SIB said it needed to call on outside help when conducting substantial reviews as it had a staff of

only 200 and a budget of £20m. Nera was carrying out its own basic economic research with the London Metal Exchange and other international exchanges.

Mr David Pritchard, head of the SIB's markets and exchanges division, is leading the review which covers all aspects of metal trading in the UK, including transactions and participants that are not regulated by the LME or any other body. Most copper contracts in the world are based on prices set

by LME trading.

Sumitomo Corporation has said it aims to wrap up an internal probe into its copper trading losses in about six months. A company official said last week that the investigation was focusing on the extent of the losses and how they were generated, although it had not yet been decided whether the results would be made public. Sumitomo has repeatedly said it would not comment until the internal probe was complete.

Meanwhile, there was another indication that the copper market was returning to normal after recent turbulence when the London Clearing House cut the initial margin - the deposit required to make a copper trade on the LME - by \$30 to \$260 a tonne.

The margin, which stood at \$200 at the beginning of May, was raised during the Sumitomo crisis to restore order to the market. It peaked in June at \$300.

By Laurie Morse in Chicago

A bipartisan team of senators has proposed an overhaul of US derivatives trading regulation which would give more powers to futures regulators after the Sumitomo copper trading scandal.

The reforms, which will be introduced as legislation in September, are unusual in that they will require federal agencies to weigh the costs of market regulation against its potential benefits.

The proposals also seek to make US futures exchanges more globally competitive by offering several forms of regulatory relief. One plank of the reforms would give the Commodity Futures Trading Commission (CFTC) power to oversee foreign markets, such as the London Metal Exchange, which have US delivery points.

Mr Dick Lugar, chairman of the Senate Agriculture Committee, and Mr Pat Leahy of Vermont, the senior Democrat on the panel, are co-sponsoring the legislation, which will update the Commodity Exchange Act (CEA).

However, there have been times when concentrate was short and in 1994, after the collapse of the Soviet Union caused turmoil in the market, the Japanese smelters had to cut production.

Those who believe this strategy was the prime motive for Mr Hamanaka's actions suggest that regulators investigating the circumstances in which he is alleged to have made losses of \$1.5m would do well to ask why the most powerful person in the copper market, able to move it virtually at will, always showed prices in the same direction - upwards.

Other traders and merchants are as happy making profits when prices are falling as when they are rising.

Although a long-term strategy was being imple-

mented by Mr Hamanaka, if you believe this theory, there have been some short-term gains for the smelter pool. The pool renegotiates terms with the mines annually and contracts include "price participation" clauses which give the smelters extra income if the eventual price received for the refined metal moves above 90 cents a pound (\$1.98 a tonne).

For every 10 cents a pound above that level, the smelter receives one cent. Analysts calculate that in 1995 this was worth an extra 4.3 cents a pound (\$848 a tonne) to custom smelters.

However, there have been times when concentrate was short and in 1994, after the collapse of the Soviet Union caused turmoil in the market, the Japanese smelters had to cut production.

Nevertheless, Mr Hamanaka's legacy will be enormously beneficial for the Japanese smelter pool. Analysts say so much new mining capacity will start up in the next few years that there will be a huge surplus of concentrate.

"There is bad news for producers of refined copper, but comforting for the smelter pool. Not only do they have long-term security of supply, they will also be able to charge top prices as miners compete to use their capacity."

Kenneth Gooding

Japanese smelters left rich legacy

A pool has gained most from efforts of Sumitomo Corp's former copper trader

As anyone at the sharp end of the copper business who stood to gain most from the efforts of Mr Yasuo Hamanaka, former chief copper trader at Sumitomo Corporation, to maintain high copper prices and they reply without hesitation: the Japanese smelter pool.

Yet the Japanese industry often denies the existence of this pool.

Pedantic would say this is correct. The pool is not a legal entity, but for some of the world's biggest copper mines it is a very potent force indeed.

Members of the pool are the owners of Japan's six copper smelters: Dowa Mining; Furukawa; Nippon Mining; Mitsubishi Materials; Mitsui Mining & Smelting and Sumitomo Metal Mining.

Most of the time these companies do individual deals with suppliers. But when the mine involved is particularly big and important, they gather together and negotiate as a powerful group, taking it in turns to act as leader.

Last year the pool negotiated terms for 800,000 tonnes of copper concentrate (an intermediate material) or more than 20 per cent of the 3.6m tonnes Japan imported.

The big copper mines on the other end of those negotiations include Escondida in Chile; Freeport Copper & Gold in Indonesia, Highland Gold in Canada and Ok Tedi in Papua New Guinea.

A Chilean judge has sentenced Mr Juan Pablo Davila, the disgraced copper trader, to three years in jail for tax evasion in the first conviction from a 1994 futures trading scandal that cost Chile \$175m. Reuter

said.

Judge Jose Bengoia also fined him 13m pesos (\$324,000) and Mr Davila's lawyer said he would appeal.

Valley in Canada and Ok Tedi in Papua New Guinea.

The list used to include Bougainville, another big mine in Papua New Guinea. Some observers suggest it is no coincidence that Mr Hamanaka began to make Sumitomo's presence felt in the London Metal Exchange's copper market soon after Bougainville closed unexpectedly at the end of 1988 following attacks by secessionists.

At first they used bows and arrows but quickly moved on to more modern weapons and the mine has been closed ever since. This closure caused some consternation in Japan.

In the 1960s and 1970s, when it became clear the country would be needing huge tonnages of copper, it was decided that the balance of trade would benefit if Japan imported cheaper copper concentrates (materials containing 20 to 45 per cent copper) and upgraded them

locally to refined copper. So, unique among copper producing and consuming countries, Japan has six "custom" copper smelters, or plants that take raw material from outside sources.

Other countries with smelting capacity have only one or two custom plants plus some owned by integrated companies that do everything from exploring for copper to producing the refined metal.

Once the custom smelting strategy was in place, it was important to Japan that no global shortages of copper concentrate should develop.

Those in the industry who argue that Mr Hamanaka was working as much on behalf of the smelter pool as for Sumitomo point out that one sure way of ensuring there were no shortages was to keep the price of refined copper high enough to encourage investment in new mining capacity.

It is now clear that Mr Davila, who still faces fraud charges, was accused of failing to declare 220m pesos on his income tax forms in 1993. At the time he was a futures trader at Codetco, the Chilean state copper company and the world's largest copper mining concern.

Early in 1994, however, officials at Codetco discovered his bad trades had cost the company about

Hamanaka, by his efforts on the LME, did manage for a long time to keep copper prices higher than they otherwise might have been. This, in turn, encouraged an unprecedented investment by mining companies in new copper capacity, and much of it will be producing concentrate.

Those who believe this strategy was the prime motive for Mr Hamanaka's actions suggest that regulators investigating the circumstances in which he is alleged to have made losses of \$1.5m would do well to ask why the most powerful person in the copper market, able to move it virtually at will, always showed prices in the same direction - upwards.

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ATLANTA OLYMPICS

Marathon – by 3 seconds

Six months after being shot and seriously injured, Josia Thugwane became the first black South African to win a gold medal when he triumphed in the closest Olympic marathon in history.

Thugwane won yesterday's marathon by a margin of just three seconds from South Korea's Lee Bong-ju, after entering Atlanta's Olympic stadium alongside Lee and Kenya's Eric Wainaina, who finished eight seconds behind. It was the first time since the London games of 1948 that three medallists entered the stadium at the same time.

The 5ft 2in (1.58m) winner waved his arms as he crossed the finish line, stopped his watch,

then ran to a crowd of his countrymen, one of whom lifted him off his feet and handed him a South African flag. President Nelson Mandela interrupted a meeting to call Thugwane "South Africa's golden boy" and an example to black youth.

Thugwane, a security guard at a mineworkers' hostel in Bethal, was lucky to be in the race at all, after being shot and then being forced from his speeding car when it was hijacked in March this year. He bears the scar of the gunshot wound on his chin.

"Three or four men got in my car and made me drive away," he said yesterday. "They told me to hand over the keys but I refused and there was a bit of a scuffle. They produced a gun and there was shooting. I jumped out of the car while it was still moving and that's how it ended."

The bullet only grazed his shin, but more serious was the back

injury he suffered when he jumped from the car, and he needed medical treatment for several weeks before regaining his strength.

"I thought it may not be possible for me to run again. But my employers gave me the best support possible, they paid for all my treatment," he said.

"I feel good about winning this medal for my country and my president."

Thugwane made his decisive break after 30km, when a sudden injection of pace took the leading pack by surprise. He was caught by Lee, and the two men looked to be getting away from Mexico's German Silva and the race favourite, Spain's Martin Fiz.

But the tall figure of Wainaina made up the ground, and the three leaders forged ahead. They remained close together until about 2km from the end when, with the stadium in sight, Thug-

wane made his final surge at the last water station. Lee and Wainaina could not quite match his pace.

With Cape Town making a bid for the 2004 Olympics, it was important for a black South African to raise the profile of the games in his home country. Thugwane's gold also marked a marathon double for Africa, the women's race being won by Ethiopia's Fatah Roba.

Thugwane was not the only medal winner who overcame dangerous injury to become a national hero at Atlanta. Cuba's 800m star Ana Fidelia Quirot, adored for the way she had recovered from serious, disfiguring burns suffered in an accident, delighted Cubans with a silver medal.

President Fidel Castro declared it "a diamond medal".

Peter Aspden



Boxer Muhammad Ali won an Olympic gold medal in 1960 – but threw it in a river after being refused service in an all-white US restaurant. He wears a replacement awarded him in Atlanta

Cuba finds success in the belly of the Beast

ATLANTA DIGEST

Russians athletes reinstated

An arbitration court yesterday reinstated two Russian athletes who had been stripped of their Olympic medals after testing positive for a banned drug. The court of arbitration for sport ruled there was insufficient evidence to disqualify swimmer Andrei Kornyejov and Greco-Roman wrestler Zafar Gulyev. They were among four Russian athletes expelled for using bromantin, a stimulant. The decision is a blow for British swimmer Nick Gillingham, who would have been awarded the bronze after finishing behind Kornyejov in the 200m breaststroke final.

AP

Privately run games condemned

IOC president Juan Antonio Samaranch said the Atlanta games could have been improved, and suggested he would not support a privately-funded Olympics again. Samaranch said in an interview he was not happy about a series of problems that included long delays for athletes on arrival, transport difficulties and a sub-standard results and information service. "I don't like the Olympic games organised by a private firm as they were in Atlanta. The city, region and country must be involved in the organisation in order for it to function properly," he said.

Reuters

Athletics

Men's 4x400m relay: 1 US 2 minutes 55.99 seconds, 2 Britain 2:56.60, 3 Jamaica 2:58.42.
Men's 4x100m relay: 1 Canada 37.69, 2 US 38.06, 3 Brazil 38.41.
Women's 4x400m relay: 1 US 3:20.91, 2 Nigeria 3:21.04, 3 Germany 3:21.14.
Men's 5000m: 1 V. Nyoniabalo (Burundi) 13:07.96, 2 P. Bitok (Kenya) 13:08.16, 3 K. Boulam (Morocco) 13:08.37.
Women's 1500m: 1 S. Masterkova (Russia) 4:00.53, 2 G. Szabo (Romania) 4:01.54, 3 T. Kleal (Austria) 4:03.02.

Baseball
Final: Cuba 13, Japan 9. Bronze: US.

Football

Men's final: Nigeria 3, Argentina 2. Bronze: Brazil 5, Portugal 0.

Hockey

Men's final: Netherlands 3, Spain 1. Bronze: Australia 3, Germany 2.

Cycling

Men's time trial: 1 M. Indurain (Spain) 1:04.05, 2 A. Olano (Spain) 1:04.17, 3 C. Boardman (Britain) 1:04.36.

Basketball

Men's final: US 95, Yugoslavia 69.

Boxing

Featherweight: 1 S. K

proposes
haul of
atives

FINANCIAL TIMES MONDAY AUGUST 5 1996

NEWS: UK

Beef farmers set to break ranks with union

By Deborah Margreaves

Many beef farmers will break ranks with the National Farmers' Union today and call for specific measures to help calf producers affected by the crisis over bovine spongiform encephalopathy, or mad cow disease.

Mr Fraser McLeod, who heads the Farming Collaboration - a group of 20,000 predominantly cattle farmers, ranging from Scottish

crofters to hill farmers and highland sheepards - said the beef producer had been "at best marginalised and at worst ignored".

Mr McLeod accuses the NFU of focusing on the demands of dairy farmers.

"The NFU is pursuing a single industry response and our voice has not been heard," he said.

Highland and hill cattle farmers produce suckler calves which are sold in August and September to be

fattened up by lowland producers and then sold on for slaughter.

"Scottish farmers are only now beginning to bring calves down from the hills for sale - and seeing prices knocked down by a third," Mr McLeod said.

Last week the farmers were getting 88p per kg compared with 128p per kg during the same period last year. The full price for a suckler calf is around £400 (£240) - which is between

£100 and £150 lower than last year.

The Farming Collaboration is calling on the government and Brussels to support the beef sucker herd through the forthcoming autumn sales. Mr McLeod would like to see a market top-up of £100 to £150 per animal.

The group also wants reform of the EU's beef meat regime to include support for suckler herds.

"Many of our farmers are

in extremely marginal areas where there is no alternative to livestock farming, and if they go out of business, the whole local economy is affected," he said.

Mr McLeod accepts the NFU hierarchy is struggling to hold a strong line across the industry. "We have a duty to our members and we're not going to abdicate that just because we'll upset people," he said.

The NFU is also facing dissent from farmers opposed to

dairy farmer near Chard in Somerset.

A group of West Country farmers is calling for a public inquiry into the government's handling of the BSE crisis.

● A Ministry of Agriculture official yesterday reiterated advice that milk was completely free from the BSE agent. It said it was unaware of any specific experiments being conducted by government scientists into the safety of milk.

Britain 'alone on 35 IGC issues'

By Robert Rice

Britain is in a minority of one on 35 issues under discussion at the Intergovernmental Conference, according to the European Policy Forum, a cross-party think-tank.

The issues on which Britain is isolated include the extension of qualified majority voting, the social chapter, the powers of the European Parliament and reform of the European Court of Justice.

On a further nine issues only one other European Union member state takes the same position as Britain. These issues include the UK's objections to boosting the role of the European Commission in foreign policy and its hopes to strengthen subsidiarity.

The European Policy Forum says the UK rejects 58 of the proposals on the IGC table, accepting only 50. That compares with 163 accepted by the European Parliament, 120 by Belgium, 117 by Spain, 103 by the Commission, 97 by Germany and 65 by France.

Germany is rejecting 29 proposals, France 39, and Sweden, 42, the highest number of rejections by a Scandinavian member state.

The forum says it "seems unlikely" that these differences can be resolved within the present structures of the EU.

The cross-party group also looked at the impact of the UK's policy of non-cooperation in May and June over the beef ban. In all, 74 measures were temporarily blocked by the UK.

However, examination of the issues affected by the policy at Council of Ministers' meetings showed that many of the issues discussed were relatively insignificant.

That "undoubtedly helped to limit damage to Britain's image as a partner in the EU," the group says.

The forum argues that if its analysis is correct, some form of flexibility deal may be essential to secure stability of the EU.

A Treaty implementing such an agreement would undoubtedly have significant constitutional effects for Britain, its partners and the EU itself, it says. In those circumstances it might well be constitutionally proper and desirable to hold a referendum.

"Not only might such a referendum guarantee to the public that it would have a direct say in a constitutionally important matter, it might also concentrate the minds of the IGC negotiators."

Central bank to warn over more rate cuts

By Daniel Green

The Bank of England, the UK central bank, is expected to caution this week that UK interest rates should not be cut further if the government is to meet its inflation target of 2.5 per cent or less.

The Bank's likely warning to Mr Kenneth Clarke, the chancellor, is underlined by the publication of independent reports today which show UK economic growth accelerating. They say the Bank's quarterly inflation report on Wednesday will come against the background of an economy recovering so quickly it threatens to lift inflation again.

Inflation, as measured by the retail prices index, fell in June to 2.1 per cent, its lowest rate for 30 months. Mr Clarke cut the base rate in June from 6 per cent to 5.75 per cent. It was the fourth cut since December and came against the advice of Mr Eddie George, governor of the Bank.

Barclays Bank says today that consumer spending has transformed below-average growth for the past year into "a much stronger output performance".

Recent economic weakness was confined to the manufacturing and construction sectors, it says. Wages and salaries are rising "moderately" faster than inflation and the trend to higher consumer spending seems soundly based.

Mr Alan Davies, Barclays' chief economist, says the increasing growth will demand government restraint. "Although underlying inflation should edge down from its current level of 2.8 per cent towards the authorities' target of 2.5 per cent or less, sustaining lower inflation will require cautious policies."

The strong pick-up in economic activity has reduced the likelihood of another cut in interest rates, and could even mean future rises in rates. "Our central view is that rates will rise to around 7.5 per cent next year," Mr Davies says.

Some support for Mr Clarke's policies comes from Oxford Economic Forecasting, which says current rates are "perfectly justifiable" given spare capacity in the economy and the recent strength of sterling. The real difficulties lie ahead over the response to rising growth.

The concern of most commentators reflects not an unease with the levels of rates as they stand now but a worry that political imperatives will lead the chancellor to refuse to raise them later in the year if growth becomes too strong," it says.

The centre of Oxford is one of the Green party's few electoral successes, at city

and county council level. The project would also involve the demolition of the home of another councillor who sits on the planning committee. Mr Bill Baker is spokesman of the threatened sports fields, although he is unlikely to take any part in the planning debate.

Oxford council says approval for developing the sports ground could be granted only under "exceptional circumstances". Ms Staf Spencer, who chairs Oxford council's planning committee, said: "The planning department has already said that this site would be unacceptable. The fact that someone offers to donate £2m does not strike me as an exceptional circumstance. I do not wish to pre-judge this, but this is an extremely important sports ground used by employees of the university. It is an important green lung for the city."

The university is under pressure to build on the prominent, central site from Mr Said. The Syrian-born businessman, who has personal and commercial links to the Saudi royal family, wants the new school to be "at the heart of the city and the university". He rejected earlier plans to use his donation to extend Oxford's existing business school at Templeton College.

The university said: "We recognise the importance of this site both to the university and the city, but it does not have any planning status under planning law."

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and county council level. The project would also involve the demolition of the home of another councillor who sits on the planning committee. Mr Bill Baker is spokesman of the threatened sports fields, although he is unlikely to take any part in the planning debate.

University leaders must first win the approval of their own academics, at a meeting of their Congregation or "parliament" in November. The business school can proceed only if Oxford raises matched funding for the project.

Some dons have already raised objections to such a large investment in business

studies, when more traditional departments have been forced to cut staff and leave posts unfilled in recent years.

Others have questioned the ethical policies of the university, after the controversial donation by Mr Gerhard Flick to fund a chair of European thought. The university returned the endowment three months ago, after it emerged that Mr Flick's grandfather had been convicted of Nazi war

crimes.

Mr Mike Woodin, a psychology tutor at Balliol College and a Green councillor who represents central Oxford, said: "The universi-

ty's ethics committee have vetted the donation by Mr Said but I think there are grounds for the university to examine whether they really want money from such a controversial source as someone who facilitates arms deals."

A Commons committee of inquiry was told that Mr Said was the agent for British Aerospace responsible for winning the Al-Yamamah defence deal in Saudi Arabia. He has denied receiving any commission from Al-Yamamah but has said he was involved in the "offset" programme through which BAE invested in Saudi construction projects.

Opposition mounts on university plan

By Richard Wolfe,
Midlands Correspondent



Opposed: Wafie Said's £20m business school plan looks set to be thrown out by local planners on environmental grounds

Retailers 'more cautious' about overseas expansion

By Chris Brown-Humes

Retailers have become "distinctly more cautious" about overseas expansion and risk losing out to European and US competitors, a survey warns today.

"It could be argued that collectively British retailers are in danger of missing the boat or, by arriving late, they run the added risk of facing entrenched competi-

tion from earlier European or US entrants," says Corporate Intelligence on Retailing, the research company.

Recession and various well-publicised failures have inspired the more cautious 1990s mood.

But the report notes that retailers are continuing to invest overseas, although at a slower pace than in the 1980s. There are now

98 UK retailers trading outside the domestic market, against 71 five years ago.

Among the new entrants are Tesco, the supermarket chain, which has made acquisitions in France and eastern Europe in the past three years.

However, it shied away from a £2.5bn (\$3.67bn) white knight bid for Docks de France, the French retailer.

The report shows that the UK and France are Europe's two largest retailing exporters. Four UK groups - Marks & Spencer, J. Sainsbury, Thorne EMI and Kingfisher - have overseas sales of more than £1bn a year. But some of the most active companies are specialist chains, such as Body Shop and Laura Ashley. Body Shop depends on overseas sales for 73 per cent of its revenue and Laura Ashley 52 per cent.

Mr Clive Grant, Corporate Intelligence's publications director, said saturation at home was the "push" factor favouring overseas expansion. The main "pull" was large, newly emerging markets such as eastern Europe, Turkey, East Asia and South America.

He suggested that groups from outside Britain were sometimes prepared to be more adventurous. The report says organic entry is the most popular way for retailers to expand abroad - but the most risky.

The next most popular is franchising, followed by acquisitions, concessions and joint ventures. It highlights 42 British retailers which no longer operate overseas or have pulled out of countries.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Allied Domestec, A.D.R. \$0.1783
Amber Ind. Hldgs., Ap.
Balfour Beatty, £2.25p
Do. A.D.R. \$0.958
Do. A.D.S. \$0.958
Chubu Electric Power 6.25%
Coss Co Bufferton R0.425
De Beers Corp. Min. 8%
Citi 2nd Preferred R0.505
Corporate Bonds 12.25% Nts. '98
Lire 612,500
Elect Data Processing 0.657p
Griegland West Diamond
R0.205
Hardys & Hansons 3.8p
Johnson Matthey 10.1p
Mitsubishi Electric Power 7% Bds.
R0.25 FF700
Mitsubishi 4.6% Nts. '97
Y460,000
Do. 4.75% Nts. '98 Y475,000
Osaka Gas 8.125% Bds. '03
S21.25
Pall Corp. \$0.01225
Pfizer France A FRN
Y1.245,301
Do. Tranche B FRN.

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
C. Allen Hldgs., 20 Birchin
Lane E.C. 10.00
M&S Int'l. Doncaster Meathouse
Hotel, Warmworth,
Doncaster, 12.00
BOARD MEETINGS:
Filtomat Comtek
McKay Securities
Mid Wynd Inter. Dev.
PSI
Save & Prosper Linked IT
Intermarc
HSBC Hldgs.
Midland Bank
Telewest Communications

COMPANY MEETINGS:
Cestech, Forte Posthouse
Hotel, Chapel Lane, Great
Bun, Birmingham, 3.30
Compoz, 1, Paternoster Row,
St Pauls E.C. 11.00
Falcon Hldgs., Walker House,
Boundary St., E. 3.00
Intermarc
Abbey National - Commercial Union

EDINBURGH OIL & GAS
F & C Enterprise Tst.
GKN
Honeywell Chemical
Henty Int'l. Hldgs.
Mercury World Mining
Metal Bulletin
Transport Dev. Grp.
Ward Hldgs.

INVESTCO Tokyo Tst.
11 Devonshire Sq., E.C.
10.00
BOARD MEETINGS:
Finals:
Williamson Tea Hldgs.
Interims:
Appleyard Grp.
Barclays
Capital Shopping Centres
Cordant
CU Environmental Trust
French Property
Kensington Overseas II
Mercury Grosvenor Tst.
TR Pacific Inv. Tst.
YORKSHIRE CHEMICALS
Zetech

WEDNESDAY AUGUST 7
COMPANY MEETINGS:
Northern Electric, City Hall,
Northumberland Rd.,
Newcastle upon Tyne, 11.00
Falcon Electronics, Waldford
Meridian Hotel, Aldwych,
Strand, W.C. 1.45
BOARD MEETINGS:
Finals:
Crown Eyeglass
Interims:
Abbey National - Commercial Union

Int'l Greetings 10p
Marks Investment Tst. 8.2p
Northern Foods 6.64% Conv.
Sub. Bds. '08 23.75
Powell Duffryn 17p
Ronald 4.5p
Wedgwood (John) 5.4p

WEDNESDAY AUGUST 7
Brit Airways A.D.R. \$1.8527
Caledonia Invrs. 12.1p
Caterpillar 3.02p
Dixons Computer Corp. R0.95
Falcon Hldg. 3.5p
Gold Fields Coal R0.80
Henderson Am Cap. & Inc Tst.
1.8p
IMESCO Recovery Tst. 4p
Cable & Wire 8.75% Bds. '12
24.61.81
Cater Allen 21p
Flemington, High Inv. Invrs.
Tst. 2.85p
Heath (C.E.) 3p
Intercare 0.7p
Kobe 7.14% Bds. '02 \$375
London Elect. 27p
Starcom Inds. 6.7p
Tutor Corp. 6.55% Cm. Ptn.
R0.055
Tokyo Electric Power 7.96% Nts.
'97 CS381.25
Tokyo Land 4.85% Bds. 97

FRIDAY AUGUST 9
Brit Funds 9.94% Conv. 2001
24.675
Readicut Int'l. 2.81p

THURSDAY AUGUST 8
Bass A.D.R. \$0.2331
Crabtree 3.5p
Dunlop Electrical 0.65p
Five Oaks Invrs. 8.6% Mort.
Db. '19 24.175
Healthcare Ops. B Mort. FRN.
'21 2206.95
Ideal Hardware 6.6p

SATURDAY AUGUST 10
Brit Funds 9.94% Conv. 2001
24.675
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SPORT

What price success?

Some doubt Newcastle's wisdom in paying £15m for Alan Shearer, writes Michael Thompson-Noel

Confirmation that England's Premier division has become the richest, most alluring soccer competition in Europe could be discerned in the wry-bordering-on-sour reaction in Italy and Spain to Alan Shearer's 100-mile hop from one Premiership club, Blackburn Rovers, to another, Newcastle United, for a world record transfer fee of £15m (£22.3m).

The previous record was £13m, paid to PSV Eindhoven of the Netherlands by Spain's Barcelona earlier last week for Brazil's Ronaldo, and by Italy's AC Milan to Torino in 1992 for Gianluigi Lentini.

"Shearer: a record transfer in the now-richest European soccer league," was the headline in Italy's La Repubblica. However, El Mundo Deportivo, a Barcelona-based sports daily, wrung some merriment from Shearer's move, proclaiming: "Ronaldo is worth more." Its story suggested Shearer might flop at Newcastle.

Kevin Keegan, Newcastle's increasingly gung-ho manager, says he expects this week to reveal further details of Shearer's transfer, which might give sports analysts more to chew on. Incongruously, the fee paid by Newcastle drew a critical response from the kamikaze sports of Britain's tabloid sports desks - which showed

how vulnerable Keegan would be if Shearer proved a disappointment.

The new season starts on August 17. If Shearer's form at Newcastle is deemed by the kamikazes to be worth a penny less than £15m, stand by for explosions. But how many goals will he have to score to satisfy?

Keegan has not done badly at Newcastle. He just hasn't won anything. Yet his spending on players totals £21.8m. Shearer's £15m was twice what Keegan paid for Colombian Faustino Asprilla last season. Les Ferdinand cost £6m, Warren Barton £4m, David Batty £3.75m. Seven of Keegan's purchases cost £1m-£2.7m. Only two, John Beresford and Robert Lee, cost less than £1m. Unless Shearer slots effortlessly at Newcastle, the knives - already out - will cleave the Tyneside air.

Gary Bowers, a Blackburn fanatic - he lives near the ground, is vice-chairman of Rovers' Independent Supporters' Association and has watched the team's games for 30 years - has mixed feelings about Shearer's departure. "While we owe Alan Shearer a lot," says Bowers, "we were not a one-man team as people have made out. Blackburn Rovers will carry on - it is not Shearer Rovers. He's been great for us and I wish him well. But I honestly can't see Shearer

reproducing the same form on Tyneside. Alan and Kevin Keegan will be under more pressure than any player or manager in history to win something."

While the size of Shearer's transfer fee infuriated the kamikazes, it delighted the bookmakers, who said the move had galvanised pre-season soccer betting. Sports betting, as distinct from betting on horse or dog races, is now big business. This comforts Britain's bookies, who have seen the volume of horse race betting eroded by competition from the UK's national lottery.

However, value-seekers should ignore current Premiership odds, at least as far as the top three teams are concerned. Among the Big Three bookies (Coral, Hill and Ladbrokes), champions Manchester United are a best-quoted 2-1 at Coral. Newcastle are 5-2 (Ladbrooke) and Liverpool 7-2 (Coral and Hill). There is no room there to swing a cat. As the season progresses better odds will become available, if only fleetingly.

Each-way bettors, on the other hand, might want to ponder Aston Villa (20-1), Chelsea (25-1), Blackburn (33-1) and Middlesbrough (50-1). Or not.

■ There was some soul-barbing last week in Kungs-



Alan Shearer (No 9): to avoid the tabloids' ire, he must step cleverly at Newcastle United

backs, Sweden (by golfer Colin Montgomerie) and in Los Angeles (by tennis's Michael Stich). Montgomerie, the world No 2 and Europe's top golfer for the past three years, has won more than £6m in prize money worldwide since turning professional in 1987. But, while limbering up for the Volvo Scandinavian Masters, he admitted he had never given his best in competition.

"I have never been a great man for practising," said the Scot, "so I have never given more than 90 per cent to my golf. Now I aim to put in 100 per cent by practising far more. This should help me to be a better golfer and more settled in my mind. If I give of my very best, that is all I can do. After I had played a good round I used to go straight back to the hotel."

Montgomerie was greatly taken aback by his failure to survive the halfway cut at the British Open recently. Even before that, his reputation as the best golfer in the world never to have won a major title had been gnawing at him.

He said it was important he did not put on weight again. "But don't expect miracles overnight. This is a long-term procedure." This week Montgomerie plays in the US PGA tournament in Louisville, Kentucky - giving

us, we must hope, 91 per cent or better.

In LA, Germany's Michael Stich was as frank as Montgomerie after losing 3-6 4-6 to Australia's Scott Draper in the first round of the Infiniti Open. "I have no excuses," said the fourth seed crisply.

"I played terrible and he didn't play much better. He just got a couple more shots and won." This sort of thing

could catch on. Perhaps Britain's returning Olympic Games squad - only modestly burdened by medals - is planning a day of public penance.

■ The men who run sports clubs know a lot about tactics, strategy - and caution.

Alistair Hood, for example,

is the security chief at soc-

cer's Glasgow Rangers, and has tried to quell fears about this month's visit by Rang-

ers to ravaged Chechnya.

On August 21 the Scottish champions play Alania Vladikavkaz in the away leg of a Champions League preliminary round. Rangers host the Russians in the home leg at Ibrox in two days' time and are hoping to strike it

rich, even though Paul Gas-

cogne is banned for both legs.

Hood has visited Vladikav-

kaz and insists: "As far as

the war there is concerned, I

understand the fighting is 50

miles east of Vladikavkaz. I

was told [that] if it is to

spread, it would spread eastwards."

Eastwards... westwards.

One trusts nothing got flip-

ped in translation.

and cafes. The setting of the Wren church of St Margaret Pattens will be affected by the development, but it should be for the better as the new designs are light and reflective and will not overwhelm the church.

This is important: there has

been a church on the site for more than 900 years. Wren's spire for St Margaret's is tall, polygonal and covered in lead. It looks like an early example of medieval revivalism and its setting must be enhanced by any new building.

Wren would surely have

built high in the City if he was

building today, and I suspect he

would have admired the ingenuity of Arup's proposals.

Colin Amery · Architecture

Building on the freedom of the city

In a recent interview in Perspectives on Architecture magazine, Michael Cassidy, departing chairman of the policy and resources committee of the Corporation of London, announced he was against any form of strategic planning in the City of London. In his view, any masterplan delayed things and inhibited a "free and open approach to planning".

There spoke the voice of laissez-faire. Cassidy could have been one of those who thwarted Christopher Wren's magnificent plan for rebuilding the City after the great fire of London in 1666 because it didn't follow existing street patterns.

This free and easy approach is one of the reasons that Britain's cities are not full of grand visions, but reflect the general mood of our lives. London is a free-for-all, and Cassidy would say this is why it works.

He also makes clear that, as he is the servant of one of the world's financial centres, he is concerned to ensure that the insides of new buildings work

well for the occupants as he is about external appearances. But he also wants those who build in the City to be encouraged to commission the best architecture.

He should be delighted with a proposal being promoted by the British Land Company for the replacement of Plantation House, James Burland of Arup plans a

new building designed by Arup Associates. This firm has more than once won the Financial Times architecture award and has a reputation for creating serious modern buildings that are often innovative in their engineering and services.

To replace Plantation House, James Burland of Arup plans a

great glass spiral at the heart of a group of three buildings. He is

rightly keen to make a contribution to the City's skyline with an elegant glass tower. In this part of the City there are no conflicts with the rules that govern views of Saint Paul's Cathedral, so there is no reason why this hand-some stepped structure should not be higher than its proposed 25 floors. In fact, architecturally it seems to demand more height. There is a demand for higher

buildings in the City, and no reason why they cannot be built.

In the City today, the controls on through traffic - made necessary by terrorism - have made it a much more agreeable place for pedestrians. The new proposals for Plantation House bring considerable life to the public levels and encourage pedestrian activity. There will be a handsome glass galleria lined with shops

BUSINESS TRAVEL

Travel News · Roger Bray

Pan Am is reborn

The Pan American name will be flying again by early September as a new company bearing the old name takes to the air.

Initially it will stick to routes within the US, starting with flights from New York to Miami and LA. It plans to add San Francisco, Chicago and San Juan, Puerto Rico. The new airline's A300s will sport the same paint job as aircraft operated by the old Pan Am, which finally bit the dust in 1991 after a long and painful decline. Its name has been bought for

\$1.3m (£844,156) by Martin Shugrue, once vice-chairman of the original company.

Bump in the flight

The European Commission is to review rules compelling airlines to compensate passengers bumped off overbooked flights. Consumer groups believe one question badly needs settling: should the amount carriers pay bumpers relate only to the length of trip and the delay?

The rules apply not only to EU-based carriers but to airlines flying in and out of member states.

Dengue fever alert

Malaysia has been hit by an outbreak of dengue fever. The disease, for which there is no immunisation, is carried by mosquitoes and

occurs mostly in densely populated areas. With an incubation period of between five and eight days, it can be extremely unpleasant. However, the more severe haemorrhagic variety can be fatal. The disease is affecting the Kuala Lumpur area and the states of Selangor, Johor, Perak, Pahang and Penang.

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UK trips rise

Business travel to England rocketed last year. The number of overnight trips rose 18 per cent to 12.6m, generating total spending of

more than \$1.6bn says the English Tourist Board. The figures refer only to domestic business travellers, not those arriving from abroad.

Increase for Africa

African airports showed the biggest increase in passenger traffic during the first

three months of this year, according to Airports Council International. A rise of 11.6 per cent was recorded by the Geneva-based organisation's 31 member airports in the region. Europe saw an increase of 9.4 per cent, equivalent to nearly 14m more travellers.

Officials have agreed with the airline industry that such extras may be treated as an integral part of transport, which is zero-rated. Such extras must be covered by the ticket price.

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EASTERN MEDITERRANEAN AIRPORTS

Inspass is at last being extended, says Amon Cohen

Handy way to bypass US queues

Good news for exasperated business travellers to Miami - legend has it like being swept up in a bear-hug. This is a developing country, and visitors from supposedly developed nations are, generally, accorded considerable esteem and valued for their imagined expertise. Even the street sharks smile as they try to pull a fast one.

No trip to Kazakhstan is complete without finding and buying a splendid, locally produced hand-woven carpet. There are some beautiful modern examples to be found - exportable so long as the correct paperwork is obtained. If you are really fortunate you will find a local dealer called Mokhtar, who can handle the export arrangements. Mokhtar has some wonderful 3 x 2m rugs for an absurdly cheap \$250.

But Rule 7 comes into play here. If somehow, you manage to track Mokhtar down - the ingenious business traveller will easily work out how - don't boost demand and increase prices by telling others where he lives.

The system has been on trial for three years at New York's JFK airport and at one terminal at Newark, while a similar experiment has been in progress in Toronto since the start of this year. Now Inspass is to be introduced at one north American airport a month to

be compatible.

That could leave travellers having to apply for a separate biometric card for each country that introduces the technology.

"We are asking for a single card scheme for all those countries," says BA.

Almaty adventure

A trip to the capital of Kazakhstan can be a challenge but there are some bargains to be had in rags, finds Gary Mead

Being greeted by local officials with clout is Rule 1 of

the Almaty adventure. On arrival we were plucked up by a mother hen who showed us through a separate entrance of the airport. There we stood - no seats available - for two hours. We were lucky. Miserable non-VIPs normally need twice as long to get their page-size visa.

An adjunct to Rule 1 is to ensure that your hosts get a visa officially "validated" during the course of your stay. This is an obscure bureaucratic process, without which you might incur a \$100 (£65) fine on leaving.

Rule 2: don't stay anywhere but the Rachat Palace Hotel. There are other places, of course, but they are not recommended. The Rachat, part of the luxury-inclined Austrian Marco Polo chain, is splendidly comfortable, has efficient multilingual staff, and is the hub of business contacts.

There are downsides. At \$300 a night for the room, you will not wish to linger. And the hotel's restaurants serve indifferent food. You will be unable to escape paying much less than \$5 a head for tough meat and strange flavours. Vegetarians are not exactly banned, merely de-

tailed for disappointment. Rule 3: exercise caution when venturing into Almaty after dark. At the last count Kazakhstan had about 50 different TV stations. One of them occasionally features a capital entertainment: the execution, by pistol, to the back of the head, of criminals, pour encourager les autres no doubt.

But the others seem Rule 4: encourage, and locals will be more likely to frequent, this local delicacy is increasingly viewed as outre. It is unwise to snack on the local street-roasted kebabs, succulent though they small.

Stick to bottled water, unpasteurised fruit and go easy on the salads - not difficult if you stay at the Rachat.

Equally familiar is Rule 5, which is - relax and enjoy. Whether from bureaucrats or humble citizens, the friendliness and hospitality shown to visitors is impressive. It is like being swept up in a bear-hug. This is a developing country, and visitors from supposedly developed nations are, generally, accorded considerable esteem and valued for their imagined expertise. Even the street sharks smile as they try to pull a fast one.

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THIS WEEK

Western scholars have employed various ways to try and prise open the mystery that is Russian Kremlinologists once scanned the fine print of the Soviet press and the line-up atop the Lenin mausoleum on parade days to fathom out who was in or out.

Other scholars fixed on Russian leaders' hairstyles as a means of spotting future political stars. It is an oft-noted fact that bald Bolshevik leaders - Lenin, Khrushchev, Andropov, Gorbachev - have alternated with hairier ones - Stalin, Brezhnev, Chernenko, Yeltsin.

Strangely, one obvious influence on Russian politics has been neglected: the weather. It could well be that the barometer is the best way of measuring political pressures in the Kremlin and predicting the swings between reform and reaction.

That master meteorologist, Boris Yeltsin, who will be inaugu-

gated as president on Friday, appears well versed in the theory, swinging between hardline and liberal policies depending on the climate. He has spent the last two winters launching an assault against the separatist region of Chechnya and ditching his most liberal ministers. But his two presidential election victories came in the summer when he has been at his most democratic and the electorate at its most benign. A man for all seasons of sorts.

Arguably, the political pattern for the century was set in November 1917 when the Bolsheviks stormed the Winter Palace and seized power, forever identifying themselves with snow and ice. Every November thereafter, the communists celebrated their

revolution and reaffirmed Soviet power by sending tanks trundling through Red Square on bleak winter days.

For many other Russians, win-

ter is associated with reaction and repression, especially for the millions despatched to the gulags in the 1930s.

By contrast, the balmy summer months have been far happier times for Russian democrats. In the popular consciousness reform is linked with the end of winter, whether it was Khrushchev's de-Stalinisation drive, known as The Thaw, or the Prague Spring of 1968 in Czechoslovakia which tried to reinvent communism with a human face.

At various times, communist leaders tried to expropriate the summer for propaganda, though it never really worked, as shown in an exhibition of totalitarian art at Moscow's Pushkin museum. A giant painting of a

jolly white-suited Stalin and fellow Politburo members playing with children on a summer's day appears ridiculous, and Russians chuckle at the incongruity.

Whether Russian politicians are hardliners or democrats, they ignore the natural seasons at their peril. The Bolsheviks failed to seize power when they prematurely launched a coup attempt in summer 1917. Hardline communists were unable to roll back reform when they ordered the tanks into Moscow in August 1991. But badly timed democratic uprisings have also crumbled. A group of dissident aristocrats known as the Decembrists, which staged a protest against Tsarist authoritarianism in December 1825, was swiftly crushed and sent to Siberia.

A moment's reflection explains why this strong seasonal political pattern holds true. Anyone who has visited Russia in the interminable winter can understand why people might then resort to violent solutions to problems. When blizzards start and daylight evaporates early, a grim mood settles in. Shop assistants grow grumpier. Feet disappear into icy potholes. Coughs and colds multiply. In despair, Russians resort to the vodka bottle and the banya (a ferociously hot bathhouse) to provide internal and external warmth, and often to political extremism for ideological comfort.

But Russia is another country when spring lights up the land. Carries are tossed aside as easily as clothes on Moscow's river beaches. Poets wax lyrical. Teenagers fall in love. The urban population decamps to country dachas to pickle cucumbers. Even hospitals shut for summer holidays in the strange belief that no-one falls ill then.

But perhaps this seasonal pattern is starting to fade. Thousands of rich young Russians now leave the country in winter to soak up the sun abroad. And global warming could complicate things enormously.

But wily investors have detected that the sharp seasonal swings in political mood are now reflected in Russia's fast-blooming capital markets. Shares in Russia's biggest companies fell sharply between last November and March, but staged a rally in the spring before Yeltsin's electoral victory. Some might say this is a fitting indicator of the victory of capitalism over communism. But perhaps it really is just the weather.

Russians count on global warming

DATELINE

Moscow:
The weather is the
best guide to
Russian politics,
for in summer the
Kremlin's fancy
turns to thoughts
of reform, writes
John Thornhill

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PEOPLE

GKN: David Lees' long goodbye

The group's veteran chairman has always been more than a numbers man. He is a tough and determined strategist, reports Tim Burt

Sir David Lees, the gentlemanly accountant who heads GKN, is hoping to spend more time on the terraces of the Gay Meadow football ground. Although a passionate fan, the chairman of one of Britain's largest engineering groups admits that Shrewsbury Town has not received his full attention in recent years.

Sir David, reputedly a fearsome tackling in his own playing days for the Old Carthusians, feels the same way about the lowly second division side as he does about GKN. "I'm very loyal and have stuck with them through all the bad times," he says.

Unlike Shrewsbury Town, however, Sir David this week expects to reveal another championship performance from GKN, with first-half profits forecast to rise from £162.5m to about £175.5m.

Wednesday's results announcement will be his last as executive chairman of the group, but for C.K. Chow, the Hong Kong-born businessman handbraked from SOC earlier this year, it will be a first outing as chief executive-in-waiting.

For the past month Chow has been finding his way round GKN's head office, a rather smart town house next to London's St James's Palace. But he will not take over Sir David's office - one GKN insider calls it the state room - until some time after Christmas.

Only then will Sir David officially split the roles of chairman and chief executive, moving to the less grand headquarters of Courtaulds, the chemicals group. These include a non-executive directorship at the Bank of England, membership of the CBI finance, and general purposes committee, and the presidency of the Society of Business Economists.

The workforce, which had fallen from 50,000 in 1980 to 38,000 when Sir David became chairman, has been trimmed by a further 7,000 to its present level.

It was not an easy task.

Chow will have virtually no natural authority," says one leading engineering analyst.

That is a view rejected by Sir David and several of his boardroom colleagues. The chairman maintains that his future role will be to manage the board, not the company. There are, he adds, plenty of other demands on his time.

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MANAGEMENT

Peter Marsh on why some companies are investing in German factories despite recent trends

Dan Griffith, president of Bridgeport, a US machine-tool company, was left almost speechless by a transatlantic phone call early last year. The head of Bridgeport's European operations had rung to say he planned to buy a German factory.

The president's reaction was predictable. High labour costs and restrictive workplace regulations mean that many international companies are shifting production operations out of Germany - either by shutting plants or employing subcontractors in cheaper locations.

After explanation, however, the proposed venture began to make sense. The company was planning to buy at a knock-down price one of Europe's most advanced machine-tool factories, in a move adding vital manufacturing capacity and taking it closer to potential customers.

The deal, completed in June last year, underlined some of the advantages for non-German companies of taking over German production assets, even if the strategy flies in the face of conventional wisdom.

Many European or US industrial managers would share Griffith's initial scepticism. "The pressures to move out of Germany are astronomical," says Peter Harrison, chief executive of Molins, one of the world's three largest makers of cigarette-production machinery.

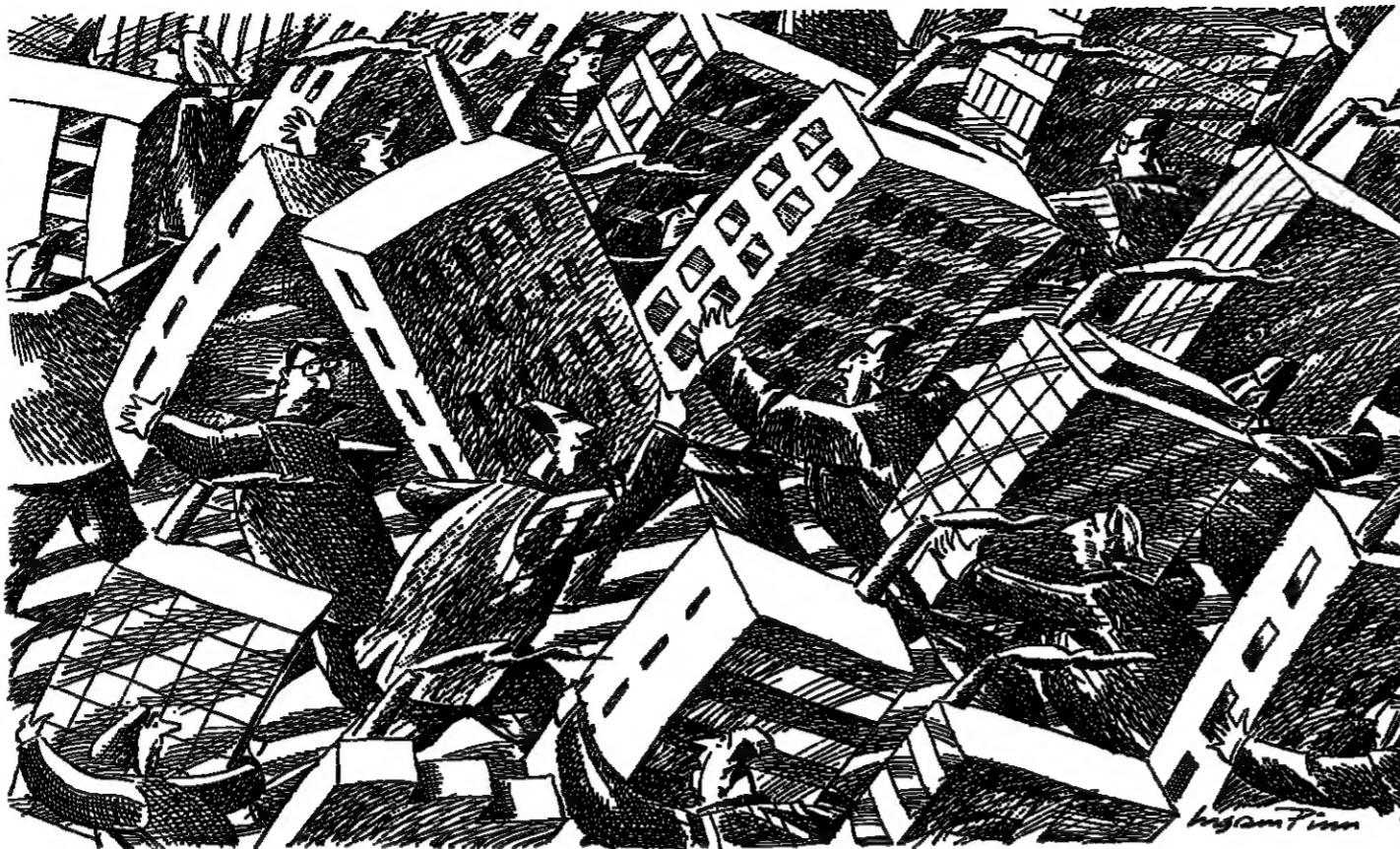
But Roland Berger, chairman of Roland Berger & Partner, a Munich-based consultancy, says such deals can make sense "either to take advantage of specific client relationships or by getting access to proprietary technologies". However, the purchasing company will almost always need to "integrate the German activity into an international manufacturing operation to minimise costs".

That has been the route followed by Bridgeport in its purchase for \$8m (£5.7m) of the factory in Kempten, Bavaria, formerly owned by Deckel-Maho, the big German machine-tool company which went into receivership in 1994, with the Kempten plant barely used. It had cost \$106m to build in the early 1990s.

The factory is "outstanding" in terms of its design and level of automation, according to Helmut von Monschaw, director of the VDW, the German machine-tool association. It employs just 80 people - who link with Bridgeport's other European production site at Leicester in the UK, which has less automation and employs 500. Average labour costs in Leicester are roughly half those in Kempten, but this is compensated for by very high skills levels at Kempten, according to Malcolm Taylor, head of the company's European division.

Under Bridgeport's strategy, the German plant is almost exclusively responsible for the automated machining of castings, a highly automated job that requires few people. The castings are then transported to the UK

When it pays to go against the flow



for final assembly, a much more labour-intensive activity.

This adds up to "a highly profitable operation", says Taylor. The extra capacity should mean the company can increase its sales in Germany roughly three-fold by the end of the century, to \$30m a year. Total output from the Kempten-Leicester operation is likely to be about \$80m this year, roughly half the total production of Bridgeport, whose other main factory is in the US.

A more striking example of strategic investment in German manufacturing came with the \$13m acquisition last October of Bellino, a car parts company based in Göttingen, near Stuttgart. The British buyer was UPF, a maker of chassis components with four plants in the UK and which had been trying for eight years to build up a presence in Germany.

Bellino seemed a good bet to serve as an "introduction agency" for UPF. It had a track record supplying key parts for companies such as Daimler, Porsche and BMW. Its product range complemented that of UPF; the German company concentrates on thin pressings such as window panels, while the UK business is expert mainly in thicker metal

components for the car body. Bellino, with sales of about \$15m a year and 140 workers, also came cheap. Formerly privately owned, it had gone bankrupt in 1993 and UPF bought it from the receiver. UPF took the opportunity to install as Bellino managing director a candidate it felt could bring to the company UK-style flexible labour and management techniques while at the same time retaining the company's high-level technical skills.

The manager was Martin Schmidt, Bellino production director since 1990.

Since the takeover, teams of UPF designers and engineers have held meetings with counterparts from the big German car companies, discussing a series of contracts which Schmidt believes could be worth about DM15m (\$8.5m) for the company by the end of this year.

Under the UPF plan, orders won by the German "front end" of the partnership will lead to work being split between Göttingen and the four UK factories.

taking the best aspects of a manufacturing operation there and integrating it with a non-German activity - involves Lamb Technicon, a US-based maker of automated transfer lines for the vehicle industry.

Another example of a "mix-and-match" policy in Germany - taking the best aspects of a manufacturing operation there and integrating it with a non-German activity - involves Lamb Technicon, a US-based maker of automated transfer lines for the vehicle industry.

Last November, Lamb, part of Western Atlas, the second-biggest machine tool company in the US, bought a 49 per cent stake in Honsberg, based in Remscheid, near Cologne, for an undisclosed sum. The deal gave Lamb management control, plus the option to take full ownership. Honsberg had earlier gone into bankruptcy after a long period of financial problems. Sales of the combined group are about \$400m a year.

Honsberg's speciality is flexible systems for the European vehicle industry for making parts (such as crankshaft casings) in relatively small quantities of about 500 a day. In contrast, Lamb's expertise is built around making more expensive systems, costing as much as \$40m, which can produce up to 2,000 parts a day.

The two types of system involve different concepts, covering, for example, the design of individual machines for jobs such as automated grinding, and of the specialised handling equipment.

"Some of the technologies that they [Honsberg] have were previously unavailable to us," says Mark Tomlinson, Lamb's director of market planning.

Tomlinson is to divide his time between Remscheid, Lamb's main base in Warren, Michigan,

and a further production site in Mildenhall, UK. His task will be to feed ideas from all three sites into the development of complete systems for both high- and low-volume applications on both sides of the Atlantic.

As for the Remscheid operation, which has 370 people and annual production valued at about \$70m, Lamb reckons that the technical edge extended to the company's combined operation should outweigh the disadvantage of the higher labour costs. "In this business, companies are willing to pay more for something that will do a better job," says Andreas Quak, sales director at Honsberg.

Similar reasons for being in Germany are voiced by De La Rue, a UK banknote printing specialist which owns Garny, a German manufacturer of safes and other security equipment for banks. The safes are made in two factories in Dortmund and Mörden-Wallendorf, near Frankfurt, with Garny's annual sales of DM200m going mainly to German customers.

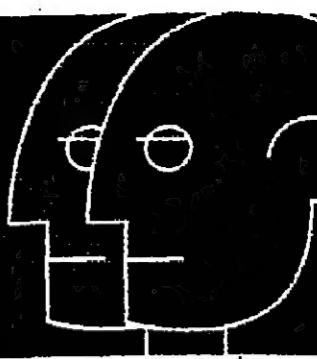
While in theory De La Rue could save money by shifting the factories to locations with lower labour costs, sales to a highly conservative community of German bankers would almost certainly be much lower if the safes were made outside the country, according to Haydn Abbott, managing director of De La Rue's cash systems division.

In this (German) safes business, all the main competitors are also based in Germany, and the benefits of local manufacturing by far outweigh the questions of expense," says Abbott. However, De La Rue is studying how to cut labour expenses, possibly by closing or scaling down one of the two factories which together employ 500 people.

Perhaps the best of all worlds in terms of manufacturing strategies in Germany is the one employed by BWI, a UK maker of specialist packaging and food and drug production equipment. Last year it bought a half share for \$750,000 in Hüttlin, a leader in sophisticated pharmaceutical granulating equipment based in Steinheim, southern Germany. The Steinheim company has borrowed concepts from the aerospace industry to develop systems that use air jets to "blow" combinations of powders to form the correct drug mixes.

It employs only 30 people, mainly on research and technology. Its machines are made in "outsourcing" deals with low-cost subcontractors sometimes outside Germany. Under the terms of the deal, BWI can fully acquire Hüttlin, which has annual sales of \$3m, over the next few years.

Stewart Brown, chief executive of BWI, hopes to use some of the company's ideas in production systems for pharmaceuticals plants involving other parts of BWI. "It is an ideal acquisition," says Brown. "We are buying an excellent technical centre but with little of the high infrastructure costs of Germany."



PARTNERS

Collins & Stewart

Lee Collins, Jr. and Andy Stewart, 46, worked together for 15 years at Simon & Coates, then Chase Manhattan, before becoming partners in their own stockbroking firm, Collins & Stewart, in 1981. They have two other partners and 85 employees. Their turnover last year was \$26m (£16.6m).

Lee: "When we started the business, we agreed to run it equally. In the early days we didn't know whether we'd make money but I had confidence in Andy and the other two partners. They were all very bright, very good, moneymakers who had been successful in their own right.

Although we'd worked together at Simon & Coates, Andy's background was in trading, whereas mine was in corporate finance and research. We have totally different styles. He's more aggressive than I am, much tougher, more single-minded. Andy comes to decisions quickly and follows them through, whereas I concern myself with the general consensus and look for a compromise.

Our different approach is cause for discussion rather than conflict. His forte is small print, which is vital in this business. It is the thing that gives you the edge when trading stocks, along with a brilliant trading mind. When we're looking for staff, Andy is interested in the immediate bottom line. I tend to look at what they'll bring to the well-being of the firm as a whole rather than their profit contribution.

Our working patterns are different in that he comes in earlier and I stay later. Our work doesn't overlap yet! I respect what he does and vice versa."

Andy: "Unlike me, Lee is clever academically. He went to Cambridge whereas I joined the City straight from school. He's very laid back, confident and very good at what he does. He's primarily a head honcho of corporate finance. He has an ability to talk at length to people from all aspects of the community about various things.

I'm considerably more focused. I'm not alone in sometimes being confused by the length of Lee's telephone calls. His conversations can go on for an hour at a time yet they invariably produce good results.

I find it very difficult to relax, whereas Lee is relaxed all the time. In the 25 years I've known him, he's only ever once told me to ease up. I was running Chase Manhattan at the time and Lee was working as my number two. He could see the pressure was getting to me. It wasn't so much the stock market as the ghastly Americans and all the meetings for meeting's sake.

Meetings are a waste of time yet Lee likes to be able to sit down and discuss things as a group. He has stronger communications skills than I do which is why he's good at corporate finance.

We occasionally have little rows, but neither of us lets things fester. Whatever we've disagreed about, it's never that bad that we can't sort it out by ambling down to the wine bar afterwards."

Fiona Lafferty

Merits of cross-functional teams

The best argument for using cross-functional teams comes from the use of business games. In one study a business school had marketing, accounts, production and human resource specialists compete in separate groups in a simulated game with a measurable outcome.

The marketing group focused on sales and promotion. It achieved impressive market share but bankrupted itself in doing so. The accountants, ever watchful of the bottom line, minimised investment in production and promotions. They maintained capital but had no new products and slowly faded away. The production specialists were interested mainly in the manufacturing process and new product development. They ended up with excellent products, at the right price but no money left for promotion, so no customers.

To everyone's surprise the HR team won. They tinkered around

with the organisational structure and spent money on training. Having not spent money in bankrupting themselves they won by default. The moral of the story: homogeneous teams with similar perspectives tend to be egocentric. Cross-functional teams may be less comfortable but much more effective.

It is a long time since anybody in the UK experienced food or petrol rationing. Some even look back nostalgically to the bureaucratic world of food stamps and ration books that attempted to ensure that scarce goods were equitably distributed. In the world of cyber-babble and consultant jargon perhaps the concept of word-rationing may be useful.

The idea is simple. Every employee is given their ration of over-used, abused or meaningless words per month. Thus you may have four "empowerments", five

ADRIAN FURNHAM



soap opera stars. American politicians were ranked among the seven least-moral professions in America.

How different would these findings be in Britain? Police officers and bankers appear to have taken a knock recently, but I doubt lawyers are held in such low regard. In the American survey, university professors were sandwiched between babysitters and airline pilots in terms of perceived honesty and integrity. I hope that's a bit different here.

The "vision thing" as former President Bush memorably put it appears to have reached its sell-by date. At the high point of this missionary zeal every organisation in every department was cajoled into writing and displaying their mission statements. Like traffic wardens, they were truly organisationally ubiquitous.

But what is most curious about this slightly out-dated exercise is that radically different organisations, with very variable products or services, ended up with indistinguishable statements.

A good mission statement should not say what a company must do, but chooses to do. It should not be filled with meaningless, unmeasurable, superlatives such as optimum or maximum. It is no more than hypocritical hype having a mission statement that does not change the behaviour of the organisation measurably. Also, a good mission statement should define the business that an organisation wants to be in, not necessarily what it is in now.

Although it's rather too American and not English, a mission statement needs to be moderately exciting and inspiring. The mission statement "To get back the Holy Grail" worked well in the Crusades, even if it was ultimately pretty unsuccessful.

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WYRLEY

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BUSINESS EDUCATION

Della Bradshaw looks at the problems of running a modern scholarship scheme

Bright lights of change

At first glance, Boutros Boutros Ghali, secretary-general of the United Nations, and Lord St John of Fawsley, Conservative party grandee and master of Emmanuel College, Cambridge, have very little in common. But both were once Fulbright scholars.

Now in its 50th year, the Fulbright Foundation, which funds American students to study overseas and vice versa, is being forced to face economic realities. This year is the first when Fulbright students will get corporate sponsorship.

James Moore, executive director of Fulbright in the UK, argues that corporate sponsorship will enable the scheme to expand. "It was pretty ridiculous that such a very small number of top-notch students were succeeding every year," he says.

But without modification Fulbright would have found it hard to survive unscathed into the next century. Economic realities mean that exchange programmes are no longer a priority for governments. And although the UK government is still giving \$400,000 a year to the Fulbright Commission, its US counterpart has already trimmed its contribution.

The Fulbright package is proving attractive to companies. For a grant of £15,000 the sponsoring

company gets its name alongside the eminent Fulbright brand. But, more important, the business builds a link with one of the country's most able post-graduate students.

"I had no trouble convincing Salomon to do it," says Charles McVeigh, chairman of Salomon Brothers International and one of

the Fulbright Commission members. "For us the future of our business is based on the pipeline of talent we can attract every year."

Most companies will stipulate that the student does an internship with the company during or after the course, or completes some related study, but the stu-

dent is not obliged to work for the company once the course is complete.

But, McVeigh concedes, "In a perfect world we'd hire him after the course."

Moore already has 17 companies lined up to sponsor students and within two years intends to double the number of students on the

scheme from 40 to 80. In all, he is hoping to bring in £1.2m from private industry. The trick, he says, is to extend the number of places without diluting the scheme's academic worth.

This year 40 traditional Fulbright scholars will travel between the US and UK and four UK students will go to the US on sponsored places.

One is Marc Sharpe, who is being sponsored by Citibank to study for an master of business administration degree (MBA) at Harvard Business School. At 26 years old, Sharpe already has several years experience working for an American investment bank. "I'm very excited in seeing how Americans work differently," he says.

The change in funding will necessitate a change in the structure of the programme. Traditionally Fulbright scholarships have been for new graduates and for one year courses. MBA students need to have several years work experience and those on two-year MBA courses will also have to fund the second year themselves.

Moore believes that the subtle shift from the purely academic to the commercial will mean that the future list of Fulbright scholars will include top industrialists as well as diplomats, academics and politicians.

NEWS FROM CAMPUS

Capital to study Chinese business

To meet the growing demand for business entrepreneurs in China, the Shui On group, of Hong Kong, has given HK\$25m (£2m) to the Hong Kong University of Science and Technology to build a centre devoted to Chinese management.

Initially the Shui On Centre for Chinese Business and Management, as it is to be called, will create a China business emphasis within its MBA programme. It will also set up a placement programme which will enable students to spend a period of two months working in businesses in China.

HKUST: Hong Kong 2358 7533

organisations.

Initially the project will devise a series of case studies of Latin American and European agencies.

Subsequently the school hopes to develop a specific course for directors of such organisations. Iese has been working with non-governmental agencies since 1994.

The donations are from the Agency for the Development of the European Union and from the Spanish government.

Iese: Spain, 3204 4000

Businesspeople get their say

A UK organisation which promotes partnerships between business and education is setting up a forum to encourage businesses to have more say in education.

Headteachers into Industry, known as HTI, is based at Warwick University. The organisation is looking for senior executives to help define business needs.

A report to be published next summer will outline the findings of the forum.

HTI: UK, 01203 524331



Architect Sir Richard Rogers, Boutros Boutros Ghali, of the UN, and Shirley Williams were all Fulbright scholars

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OCTOBER 8

MEDIA FUTURES

Tim Jackson

Not what you've got but how you use it

Public investment in the Internet, with its twin connotations of progress and tech-nology, is the 1990s version of motherhood and apple pie. Everyone supports it. Those who might be expected to oppose it - workers who will be put out of work, companies whose business will be superseded by cheaper ways of doing things - are rarely awake enough to foresee the effects of such investment.

So it was with weariness that I read a report published on the Internet last week by the Science and Technology Select Committee of Britain's House of Lords under the grand title: "Information Society: Agenda for Action in the UK". (www.hmsoinfo.gov.uk/hmso/document/infor-soc.htm)

Six chapters, 40 recommendations and eight appendixes later, I concluded that the report largely missed the mark.

The committee's first mistake was allowing itself to be taken on a jolly to a British Telecom research laboratory, where BT's guru-in-chief fed them the standard corporate sub-story about what a shame it is that Ofcom, the UK's telecoms regulator, has forbidden BT to drive the cable companies out of business until 2001. The committee's report duly regurgitated a number of paragraphs on the topic, barely relevant to their inquiry.

The committee was also unable to resist proposing a quango, to be called the Information Society Task Force, inspired by someone in the US who told their lord and ladyships that vice-president Al Gore, an articulate proselytiser, had helped to raise public

awareness of technology issues. The report also prescribes subsidies in all directions: public/private partnerships for pilot projects; Internet PCs in public libraries; free Internet services; outsourced services for schools; R&D programmes to develop educational content for the British curriculum. All these are deemed worthy of public funds.

Worse, the committee leans towards imposing costly regulation to achieve the same result with less transparency, such as inserting a requirement to wire up schools in cable companies' licences. This makes no more sense than requiring electricity companies to provide schools with free power, or greengrocers to give them apples. The Internet is supposed to increase productivity and save money, not reduce productivity and cost money. If its advantages are so clear, institutions ought to need no subsidies to use it.

The report's biggest problem lies in its yearning after an ill-defined "information society" based on a broadband telecoms network carrying large amounts of information at high speed. Such a network, known as an "information superhighway", can do only one important thing that the existing Internet cannot - carry live video pictures of TV quality.

Yet the truth is that the creation of an "information society" has very little to do with building such a network. Today's technology - including basic PCs, office networks and modems - could bring about great changes in our working lives and sharp improvements in government efficiency if only it were put to proper and ubiquitous use. Doctors could use electronic mail to make appointments with hospitals. All government publications were

delivered free on the Internet. Teachers could be instructed in basic technology as part of their training. Schools could keep classrooms open after hours to allow pupils to use the PCs. Companies and government departments could give away outdated but still functional computers to charities or schools instead of selling them for a few pounds to scrap-metal dealers. All this is touched on briefly in the report, but they left dangling.

Beneath all this detail, a big idea is struggling to get out. The job of government in an information society is simply to wire itself. In keeping with this principle, the committee should have made a number of recommendations. Every central and local government employee should be equipped with an e-mail address by the end of 1997. All public bodies should publish an electronic directory of names, phone numbers, e-mail addresses and job titles. To encourage people to use the new technology, priority should be given to public inquiries that arrive by e-mail.

In the long term, all public documents should be available free online, simply because it costs less to deliver them this way. Priority should not be given to departmental press releases, as the committee suggests.

Instead, the first documents to go online should be those that people want to read. To find out which these are, all departments should be required to audit information requests.

These proposals may seem drab and detailed compared with the visionaries' castles in the air. But the "information society" is already with us. It is small steps such as these, rather than grandiose visions, that will bring about great changes in our lives.

An online archive is an appealing concept. It would



Culture is courting the Net

Putting gallery and museum collections online isn't easy, says Alice Rawsthorn

In teachers in Scotland's Western Isles wanted to show their pupils the new displays of post-war English art at the Tate Gallery, they might well balk at the long, costly journey to London.

But if Virginia Bottomley, Britain's heritage secretary, had her way, that journey would no longer be necessary.

Last week the heritage department raised the prospect of using national lottery funds to make the contents of the UK's museums and art galleries accessible to the public in the form of digitised images on the Internet.

An online archive is an appealing concept. It would

help museums raise awareness of their collections, including works that cannot be displayed because of lack of space, and enable them to broaden their activities by commissioning new pieces from artists especially for the Internet, or running online debates on bulletin boards.

Several US museums and art galleries are already experimenting with Internet projects, as are a few UK institutions. However, some arts administrators doubt the feasibility of launching such an ambitious initiative, given the financial constraints facing many museums and galleries.

"It's a wonderful idea and one that we'd love to participate in - if it comes off," said the head of one museum. "But lots of museums are so underfunded that they're already struggling to catalogue their collections by conventional means, let alone make them more accessible via the Internet."

Predictably, US museums have led the rush online. The Whitney Museum of American Art in New York, the Los Angeles County Museum of Art and the Andy Warhol Museum in Philadelphia have all had

World Wide Web sites for some time.

The Whitney uses its site to provide information on exhibitions, talks, seminars and tours. It has also asked contemporary artists such as Nam June Paik, Lowell Darling and Barbara Kruger to create works for the site.

And it conducts online debates on issues such as

the future of painting and the politics of censorship.

On advantage of running such debates online is that more people can participate, as they are not limited by availability of seats or by difficulties travelling to the museum. Another is that there are no restrictions on the length of individual contributions.

A number of UK institutions are also experimenting with the Internet. The Serpentine Art Gallery in London's Hyde Park launched a Web site to display the works in its *Tate Me I'm Turner* exhibition last spring.

Predictably, US museums have led the rush online. The Whitney Museum of American Art in New York, the Los Angeles County Museum of Art and the Andy Warhol Museum in Philadelphia have all had

at least part of its collection on the Internet or on a CD-Rom when the proposed new Tate gallery of modern art opens on London's Bankside in 2000. It plans to start digitising the collection later this year.

Simon Grant, head of information systems, says such an exercise will be "extremely difficult" because of the "enormous range and number" of works in the collection, which includes 14,000 paintings, 1,300 sculptures and more than 38,000 pieces in the Turner bequest.

It would be extremely expensive to digitise them all, and some, such as very large sculptures, would be difficult to photograph because of their scale. Other institutions may have difficulties with ancient or delicate exhibits.

The UK's heritage department argues that these issues could be addressed if part of the £500m in national lottery money it plans to pump into museums over the next few years is spent on an internet initiative. But some arts administrators still have misgivings.

"Nice idea," says one. "But right now we're more worried about how much longer we'll be able to stay open."

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OPENINGS

EDINBURGH
The official Edinburgh International Festival starts on Sunday with Beethoven's Choral Symphony and Schopenberg's "A Singer from Warsaw" conducted by Donald Runnicles, followed by the Usher Hall. The singers include Bryn Terfel, Della and Bryn Madiopato.

The fringe opens on Wednesday with Ian Brown's farce production of the *Prisoner of Second World War*. The show runs until Saturday, with the last performance on Friday night. The festival continues with a programme of Scottish and international performances, including a new production of *Wozzeck* by the Berliner Ensemble, directed by Peter Sellars, and an exhibition of comic art by the artist who created *Madame Tussauds*.

For more information, call 0131 556 7500 or visit www.edfringe.com.

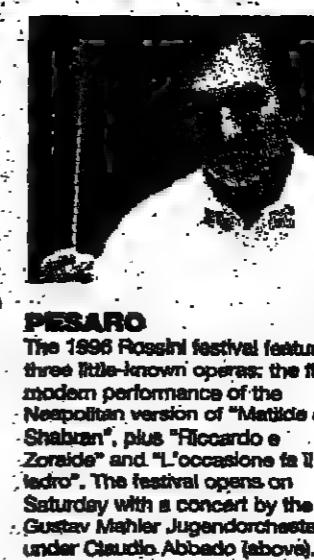
CHICHESTER

The Royal Shakespeare Company's production of *Measure for Measure* opens on Friday at the Chichester Festival Theatre, directed by Lindy Hemming. The cast includes Bryn Terfel, Della and Bryn Madiopato.

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ARTS**AMSTERDAM**

A selection of 19th and early 20th century American watercolours will be on view at the Rijksmuseum from Saturday until the end of October. John Singer Sargent, Winslow Homer and Edward Hopper are among the artists represented in the show, which comes from the Museum of Fine Arts in Boston.

**PESCARA**

The 1996 Rossini festival features three little-known operas: the first modern performance of the Neapolitan version of "Matilde di Shabran", plus "Riccardo e Zorzo" and "L'occasione fa il ladro". The festival opens on Saturday with a concert by the Gustav Mahler Jugendorchester under Claudio Abbado (above).

BRECON
The best little jazz festival in Wales has become one of the best and biggest in Europe. Saxophonists Joshua Redman, Joe Henderson (below), Illinois Jacquet and Phil Woods play their sole UK dates at Brecon this year. Van Morrison opens proceedings on Friday.



Theatre Telling tales

There is a certain conventional style to stage adaptations of collections of stories such as *The Canterbury Tales* or *The Decameron*: actors slip fluidly between characters, minimum of time is expended upon establishing the situation in which folk find themselves while away the time by tale-telling, and set design is necessarily non-specific and versatile.

Nick Ward's production of his own adaptation from Boccaccio - the last in the Gate's New Playwrights' Ancient Sources season - observes all these conventions, but does so with a relaxed flair which lifts *The Decameron* head and shoulders above most other shows in this vein.

The audience take their seats (or rather benches) in a mist-filled theatre walking across - and occasionally stumbling into - the shallow pit which runs the length of the space, partially covered with planking in Conor Murphy's superior design. In half-light at one end, a solo *Kyrie* is sung; the murky atmosphere is maintained long enough to suggest the plague-ridden city from which the 10 characters remove themselves before they get down to the business of tale-telling.

At this point the design comes into its own. The pit is used to secret live bodies or dump dead ones; planks are up-ended to serve as walls and doors; a shower falls towards one end of the theatre, beyond which a spot of cookery is conducted - the dish, naturally, is the heart of an adulterous wife's lover.

The stories of love and betrayal, discovery and concealment unfold at first serially, then little by little grow more tangled, nested in one another and intersect, until any sense of time vanishes and the arguments of individual narrators become wholly subsumed; the act of telling, and of watching tales develop, is all.

Ward's direction is likewise oriented entirely towards bringing stories alive at a particular moment in a particular area of the stage; it is concentrated and tightly focused, and his cast of six women and four men respond excellently to it.

The production is a complete ensemble piece, to the extent that individual performers can hardly be identified; the programme lists them solely by the names of their "principal" characters, those on retreat from the infested city, who are of only tangential importance to the tales themselves.

Ian Shuttleworth

At the Gate Theatre, London W1, until August 17 (0171-225 0706).

Golden boy howls at the moon

John Landis was feted in Hollywood for his comedies – then it all changed, writes Nigel Andrews

The beard is neatly clipped, the spectacles have a dourish gleam and you could eat off the immaculate shirt and tie. Only the weirdly soaring voice and occasional hyena giggle betray this man's history as the most feted and feral comedy director of a generation.

John Landis made *The Blues Brothers* and *National Lampoon's Animal House*, two films that redefined anarchic humour for the 1970s and 1980s. He made Eddie Murphy a superstar in *Trading Places*. And he triggered an entire epoch of special-effects "body horror" in the Gothic spoof *An American Werewolf in London* followed by *Michael Jackson's Thriller*, in its day the highest-selling rock video.

Fame though, is as changeable as horror mutations. One minute you're hobnobbing with the stars, the next you're howling at the moon. In the 1990s Landis fell foul of two landmark furies. One was the "creative accounting" scandal in which writer Art Buchwald sued Paramount, claiming sackfuls of unpaid money as originator of the story for the hit Landis-Murphy comedy *Coming To America*. The other was the helicopter disaster that killed three people during shooting on Landis's episode in *Twilight Zone: The Movie*.

He seems never to have recovered from the second incident. The manslaughter charge that resulted cost him seven years of legal entanglement and millions of dollars in fees before ending in acquittal.

In a run-off for the most troubled career in modern movies Landis would probably beat Roman Polanski, Woody Allen and all other comedy. My own encounters with him charted the highs and lows. I met him first at a 1980s Edinburgh Film Festival where he was being honoured with a retrospective; later in a bungalow office at Universal, where he was scraping himself off the floor professionally to make *Beverly Hills Cop III*; finally and briefly over the phone last week, to ask what had attracted him to *The Stepford Wives*, his low-budget, no-star, children's-book-based comedy opening in Britain next week.

"It's a very funny series of books about this surreal family who are a sort of collective Stay Laurel," he tub-thumps. "Some of my favourite films are technically children's films: *The Wizard Of Oz*, *Pinocchio*. But all great kids' movies play across the family. They're for adults too."

Come August 9, we shall see.

But how has he reached this modest pass from the heady 1970s when he ruled movieland? And

he had it deliberately outrageous.

How did he attain such eminence in the first place? He is not, for instance, a "movie brat".

"No, the movie brats – Spielberg, Scorsese, De Palma, Lucas – all came from film schools and they're older than me. I'm more a fan than a scholar. I left school early and came up through the mailroom at [Twentieth Century] Fox. I was privileged to get into movies just before the death of the studio system, so I could seek out, and I did, people like Hawks and Hitchcock and Cukor."

After trailing across Europe

helping on oblivion-deserted blockbusters (*Kelly's Heroes*, *Catch-22*), Landis made a mini-budget comedy that became a cult called *Kenosha Fried Movie*.

In the late 1970s, a post-Watergate America sceptical of its rulers was looking for anything that enthroned anarchy, disrespect and much falling about by loved comedians. So Landis was there, with the bigger-budgeted *National Lampoon's Animal House*, which became the most successful comedy of its era.

"It had a witty script and we made it deliberately outrageous."

The film's star was John Belushi: a Landis friend who became a legend in his own brief lifetime, offscreen as well as on. The ex-TV farceur overate, overdrank and finally overdosed. The Sunset Boulevard hotel where he died still shows arriving guests, with a kind of proprietorial prurience, the Belushi chalet.

Landis resents the sensationalism, but respects even more the cracker-barrel wisdoms about Tinseltown that Belushi's death prompted. The actor became the fall guy for a whole generation's muddled morals. "There was this terrible book by Bob Woodward, *Wired*, that made out that Hollywood killed John," says Landis. "It didn't. John killed John. He had a drug problem even in high school. All 'famous' did was allow him to buy a better quality of drug."

If Belushi was Hollywood's comic totem for the late 1970s – a plump, rude, childlike finger raised to authority – it was Landis again who found his successor for the 1980s. The leaner, more dandified Eddie Murphy was a black superstar whose

ascension enshrined political correctness.

"It was the ideal time to have a black comic hero. Just as Sidney Poitier was the right guy for a postwar black role model – gorgeous, upright, noble – Eddie was streetwise, funny and accessible. His success had a lot to do with speeding up liberal race attitudes in the movie business."

Ironically, though, it was a fable on racism that Landis was shooting in 1983 as his contribution to the four-story *Twilight Zone: The Movie*, when a stunt helicopter caused the grisliest on-set disaster in modern memory. The vehicle went out of control, decapitating actor Vic Morrow and killing two children.

A new Steven Spielberg biography not only plants Landis at the scene of the accident – never denied – but also suggests that co-producer Spielberg may have been there on the night.

"No," says Landis, "he wasn't there. That was never an issue. And I'm not speaking as a friend of Steven, whom I haven't talked to since 1983. He and his fellow

producers behaved reprehensibly after the accident. One of them, Frank Marshall, fled to Europe for months. You discover a lot about human nature when you go through an experience like this."

Landis follows up with some unprintable things about the Los Angeles district attorney's office, which ensured him years of harassment before failing to clinch its case during a 10-month trial. "There was absolutely no good aspect about this whole story. The tragedy, which I think about every day, had an enormous impact on my career, from which it may possibly never recover."

Landis's life, in the process, has become a nightmare paradigm for the volatility of fame. "After *Animal House*," he once quipped, "everyone in Hollywood came to me with sacksfuls of money begging me to make them rich." Today he cannot even finance *Blues Brothers 2000*, his proposed sequel to a smash-hit original. Universal, who hold the film rights, refuse to move above a \$20m budget, which is too modest, says Landis, for the star-

producer's behaviour reprehensible after the accident. One of them, Frank Marshall, fled to Europe for months. You discover a lot about human nature when you go through an experience like this."

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"That's one reason agents stepped in to say on behalf of their actors and directors, 'I don't trust you, I don't think there'll be fair accounting, we want the money now.' So today it's gone the other way. An actor can say to a studio, as Steve McQueen did, 'I want \$1m put in escrow just for me to read this script.' It gets pretty outrageous. So sometimes the studios fight back."

No change, then, except who controls the cash register? And no resentment from a film-maker who has been on the sharp end of Hollywood's wilful power to produce and dispose?

"The only real change is that film-making is more of a lottery today and sometimes you don't know who's in charge."

"Today the studios are distribution and marketing companies and they take a lot of persuading over each project. The devil is in the deal-making. People ask, why are there so few good movies?

But if you really knew the process of getting a film off the ground – the selling of a script,

the fight to convince people you're bankable, the ego who fight over billing – you'd be amazed there were so many movies at all.

If there are some good ones among them, that's an extra miracle."

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COMMENT & ANALYSIS



Michael Prowse · America

Hollywood demons

Politicians are blaming the entertainment industry for debasing the nation's values and undermining social harmony

When President Bill Clinton took office the American people doubted the vitality of the US economy. After four years of steady growth and the creation of an extra 10m jobs, the focus is switching from the material to the spiritual. People are worrying less about productivity and more about values – the intangible codes of conduct that underlie behaviour and determine the quality of social life.

The serious disorder that afflicts US society is increasingly seen as caused not primarily by poverty or other economic factors, but by a breakdown of traditional ethical norms. Changes in social mores, especially in the counterculture years of the 1960s, resulted in an "anything goes" philosophy that contributed directly to the rise in violence, drug abuse, divorce and out-of-wedlock births. Such problems can be tackled, if at all, only by achieving a national moral regeneration.

Fundamentalists are not certain what caused the erosion in moral sensibilities, but many believe the mind-numbing violence and amorality of commercial television and popular films have dragged people down. When Mr Bob Dole, the Republican presidential candidate, visited Hollywood last week, he was careful to praise the entertainment industry. The film *Independence Day* – which depicts Americans saving the world from evil aliens – was the kind of show that "lifts up our country rather than dragging it down". But in stressing Hollywood's ability to "shape attitudes and outlooks," he returned to the theme of a diatribe last year when he accused executives of debasing the nation by "creating nightmares of depravity".

The public was so supportive of Mr Dole's critique that Mr Clinton has been struggling to co-opt the

issue ever since. Mr Clinton recently called on Congress to pass legislation requiring TV sets to contain a V-chip, which allows parents to block offensive material. A few weeks later he bullied broadcasters into accepting a "ratings system" similar to that of films to rank TV shows for sex, violence and crude language. Finally, last week he obtained agreement that all TV stations would include at least three hours per week of "educational" programmes in their daytime schedules.

Plato's arguments have been resuscitated by Mr William Bennett, an adviser to Mr Dole and a former education secretary in the Reagan administration. Mr Bennett published his bestselling *Book of Virtues* in 1994 and has since acquired a national reputation as a moral crusader. In a speech in Hollywood earlier this year, Mr Bennett argued that TV writers were disingenuous when they claimed their work had no social consequences because it was pure entertainment. Scripts, he pointed out, were developed by gifted and creative writers to have maximum impact. If moral standards were sufficiently high, much of the rationale for government of any kind would disappear.

Politicians cannot directly improve people's morals. But many philosophers have argued they have a duty to remove or mitigate the influences that drag people down. Plato argued that even poets such as Homer ought to be banned because their art had a "ter-



Independence Day: Dole praised the film which depicts Americans saving the world

rifying capacity for deforming even good people". Poetry, he wrote, gratified the passions and established a "bad system of government in people's minds". What, one wonders, would this sensitive soul have made of prime-time US television, of its unchanging diet of gratuitous violence and sexual infidelity?

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That world view, he argued, is a crude and destructive form of hedonism. The message ceaselessly relayed by the US TV and film industries is that the "summum bonum of life is self-indulgence, self-aggrandisement, instant gratification; the good life is synonymous with licence

and freedom from all inhibitions."

It is hard to show scientifically that TV and films influence the way people think and act. We cannot re-run history to see what would have happened without them. Yet it is absurd to claim that so expressive a medium has no impact; if TV is unable to affect people, learning of any sort would be next to impossible. Given that young people spend most time watching TV than doing anything else (including studying), it is plausible that it does shape their hearts and minds.

But what can a society that values individual freedom do about it? Outright censorship is unacceptable because nobody (Mr Bennett included) has a monopoly on wisdom. Surprisingly, perhaps, the US is reacting in a rational fashion. It is moving, with the V-chip, to protect children from the worst excesses of commercial TV. And politicians are sensibly encouraging a vigorous public debate about values and the influence of the entertainment industry. Over time, public pressure should lead to voluntary changes in the kind of TV shows and films produced, with beneficial social consequences. That, at any rate, is what should happen in a society that values both economic freedom and moral integrity.

From Mr Jayanti Durai.

Sir, We are alarmed that the FT interpreted the recent "de-restriction" of documents by the World Trade Organisation as "encouraging" (Observer, July 28). The general council of the WTO decided on July 18 that documents "in any

minutes of meetings of all WTO bodies (except the Trade Policy Review Body) including Summary Records of Sessions of the Ministerial Conference". These exceptions mean essential information may only reach the public six months after circulation.

Consumers International, a federation of more than 200 consumer organisations worldwide, has been warning that the veil of secrecy surrounding the WTO compounds public anxiety about supranational rule and discredits the international trading system. It perpetuates the perception that trade agreements are dictated by a

few behind closed doors. The WTO has a direct impact on ever-increasing sectors of our lives and without timely access to relevant information, consumers and other interested parties can have no input in trade discussions and agreements.

The WTO is bucking the trend towards open participatory international institutions. Even the World Bank operates on a presumption of disclosure unless there are compelling reasons not to do so.

Jayanti Durai, economic affairs officer, Consumers International, 24 Highbury Crescent, London N5 1RX, UK

Illogical ban on shotguns

From Mr Howard Sian.

Sir, Your assertion in your editorial "Ban bandanas" (August 1) that shotgun owners should be limited to one gun is specious. Presumably the logic behind the proposed handgun ban is to reduce the potential firepower that a semi-automatic weapon gives to an assailant (thus forcing them to rely on knives, machetes, bombs and flame throwers). By carrying several handguns the number of rounds that can be fired before having to reload can be increased without a significant weight penalty.

The same cannot be said of shotguns. With their restricted magazine capacity of a maximum of three shots, any potential assailant would find carrying several shotguns impractically heavy and unwieldy. Therefore, such a ban would have no practical advantage, apart from assuaging the vociferous anti-gun movement, and inconveniencing many sportsmen and women who enjoy the sport of shooting.

Think before you jerk your knee!

Howard Sian,
17 Rectory Lane,
Long Ditton,
Surrey KT6 5HS, UK

No threats from Greek shipowners

From Mr John Ad. Hadjipateras.

Sir, I refer to your article "Greek shipowners protest at raid by UK tax authority" (August 1) which suggests that Greeks have "issued veiled threats that they may desert the London market..."

Although I cannot deny that the recent events, to which these articles refer, have caused considerable concern in the City in general and not only among the members of the London-based Greek

shipping community, which my association, the Greek Shipping Co-operation Committee, represents, it is wrong to state that the members of our community have issued threats.

The association between Greek shipping and the London market is not years, but centuries long. I believe that those Greek shipowners who have representative offices in London have benefited and our members are grateful for the hospitality they have enjoyed in the UK.

We like to think that Britain has also benefited from our presence and we hope and trust that this long and mutually beneficial association may continue to flourish in the future.

The issue of threats, veiled or otherwise, could not be further from our intentions.

John Ad. Hadjipateras, chairman, Greek Shipping Co-operation Committee, 6 Middlesex Street, London E1 7EP, UK

Viviana Durante one of Royal Ballet's greatest assets

From Dr Jörg Schimmeleppen.

Sir, I registered with disbelief that your ballet correspondent, amid his – as usual – caustic reporting on the Royal Ballet's summer season ("Will the real Royal Ballet stand up?", July 31), preferred to turn a blind eye to Viviana Durante's (for the time being) farewell to Covent Garden. Ms Durante has not only been one of the greatest principals this company had in recent times

– far from being just a fine dancer she has unlimited acting talent, which in the end is the very essence of a true ballerina – but she over and over again proved to be a most reliable artist as well.

Anna Pavlova is said to have once been told that by dancing she had "made her admirers happy by enabling them to forget for an hour the sadness of life". Times have changed, and I should still like to attribute the same ability to Ms Durante's way of performing.

In her final *Manon* – because of the fundamental differences in ballet vocabulary between the final act and the first two acts this is one of the technically most demanding roles as well – no single step or gesture had a meaning other than in relation to the dramatic situation. It was a wholly believable reading of the role, honouring Macmillan's choreography, and respecting the virtues of

early Romantic ballet the very way Fokine had redefined them. The audience was well aware of the special occasion and its, seemingly endless, rapturous applause signalled it wanted not only this night never to end.

It was a truly great moment of ballet!

Jörg Schimmeleppen,
Nätruper Str. 109,
D-49076 Osnabrück,
Germany

Race on to clear the air

Vehicles chugging along at a snail's pace, masked cyclists struggling through the traffic, and pedestrians choking on exhaust fumes. These are familiar sights in many European cities as summer heats up.

Most UK drivers – 71 per cent – see air pollution and traffic congestion as the greatest problems of road travel. But reducing traffic congestion, the single most important cause of urban air pollution, remains difficult. Stricter emission standards have been drafted in Brussels, but they are unlikely to be sufficient unless drivers reduce the number of trips they make.

"Changing driver behaviour is the nub of the matter," says a UK official who is drafting a national strategy for eradicating health threats from air pollution by 2005, due to be published this month.

The strategy will say that cleaner vehicle emission and fuel standards will reduce air pollution significantly over the next decade. But it will also say "planning and other measures which help to reduce the need to travel and reliance on the car" are necessary in the longer term to "avoid the prospects of an upturn in emissions that might occur from about 2010".

In a nutshell, a race is on to find technology that can clean up emissions before a build-up in traffic increases the amount of air pollution.

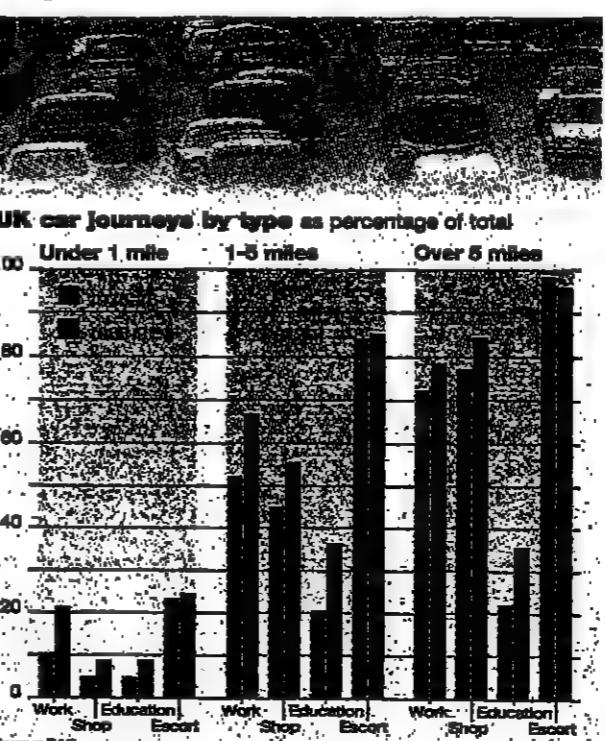
The costs of losing this race are clear. Every year, up to 20,000 people are admitted to UK hospitals suffering from respiratory ailments. The Department of Health estimates that as many as 10,000 deaths a year are attributable to respiratory problems aggravated by summertime smog and pollution from diesel vehicles.

Traffic congestion also delays the movement of goods and staff, adding £15bn a year to business costs, according to the Confederation of British Industry.

Efforts to tackle the twin problems of congestion and air pollution have so far concentrated on tightening standards for vehicle emissions and fuel quality.

The British government sees the acceptance by the European Council and parliament of the new draft

Drivers must be persuaded to use their cars less, argue Leyla Boulton and Gillian Tett



the best compromise. But the real challenge facing European governments is not whether industry will foot the bill for a new round of technological improvements to reduce traffic pollution, but whether individuals can be persuaded to use their cars less frequently.

UK motorists may complain about congestion, but they are reluctant to choose other means of transport. A survey for Lex, the vehicle leasing organisation, found that while 46 per cent of British drivers would support improvements to public transport, few would leave their cars at home if public transport services were made more attractive.

The advantage for many of improved public transport would lie in attracting other car users off the road, the Department of Transport concluded in a green paper on transport and environment earlier this year.

Although the standards have already been criticised by environmentalists and manufacturers of clean technology as too weak, the Commission argues they are

erred that personal, voluntary change of behaviour was a self-sacrifice which would be ineffective if not undertaken by the majority – which was thought to be unlikely without government action".

Mr Charles Secrett, director of Friends of the Earth, the environmental pressure group, says transport policies can change the behaviour of drivers. For example, the London Travelcard which makes travel on buses and trains cheaper and simpler, reduced central London traffic by up to 15 per cent within months of the scheme starting in the early 1980s.

Many European countries are considering financial penalties to persuade drivers to leave their cars at home. There are several different schemes, but all would involve charging motorists for using urban roads to reduce their use.

However, Mr Jeremy Vankie, policy chief at the Royal Automobile Club, warns that "the only way to make road pricing acceptable is to ensure alternatives are available". The RAC is prepared to see such charges only if the proceeds are used to provide better public transport and to improve the roads.

He also warns that there could be a public backlash if government measures are seen as socially unfair. This happened in Norway where charges were made for cars entering Oslo. "Middle-aged gentlemen continue to drive into work," says Mr Vankie, "while mothers with young children, many of whom run cars on a shoestring budget, have been hit."

There is growing interest in road charges among local authorities. The Association of Metropolitan Authorities, for example, is to launch a study on how its members might introduce them.

There are political obstacles, however, with all parties worried about alienating the voter at the wheel. The UK government and opposition Labour party both include financial incentives to reduce car use in their strategies for dealing with congestion and air pollution.

"The Conservatives and Labour are playing the same game," says Mr Vankie. "Neither wants to commit itself at this stage to something that is politically difficult."

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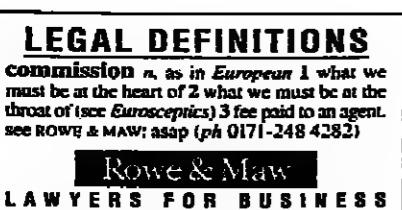
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FINANCIAL TIMES

Monday August 5 1996

Awards, Awards, Awards
We should be called
Radisson, /WARDIAN

State group aims to be world's largest mobile phone operator

China set to overtake AT&T

By Tony Walker in Beijing

China's state telecommunications monopoly is poised to become the world's largest mobile phone operator within a year, overtaking AT&T of the US, according to the official China Daily newspaper.

China Telecom, a subsidiary of the Ministry of Posts and Telecommunications, already has 5 million mobile phone subscribers. Such is the rate of growth of cellular phone ownership, the figure is expected to reach 7m by the end of the year.

Mobile phones have become virtually standard equipment among Chinese businessmen, who use them because of a shortage of fixed telephone lines. China has one of the

lowest rates of telephone coverage in the world - fewer than five telephones per 100 people on average, rising to 13 per 100 in the cities.

Demand in China for cellular phones has far outpaced supply, prompting the authorities to consider shifting emphasis from developing urban landline telephone networks to expanding the mobile network instead, according to Mr Wang Chunjing, of the ministry.

"By 1997, China Telecom is expected to be the world's largest mobile telephone operator," Mr Wang said.

Foreign companies, including Motorola of the US, Nokia of Finland and Ericsson of Sweden, are producing mobile phones in China. Motorola

plans to invest \$2bn by the year 2000, producing communications equipment including cellular phones and pagers. The number of pagers in use is estimated to have reached 20m at the end of last year.

China Daily said China Telecom, the world's second largest mobile phone operator, had 3.6m Chinese customers at the end of last year, and was expected to grow to 18m by

The official Xinhua news agency said China had 5.12m mobile phone users at the end of June.

China Telecom has enjoyed a virtual monopoly in the mobile phone market in China but will soon face competition with the establishment of a

network by China United Telecommunications (Unicom). This is a venture involving the Ministries of Electronics Industry and Railways, and other state entities including the China International Trust and Investment Corporation.

Unicom plans to challenge the Ministry of Posts and Telecommunications monopoly by starting a digital mobile system this year with a capacity of 1m channels in 48 Chinese cities.

China's five-year plan for the period to 2000 aims to add more than 64m new land line subscribers to the present total of about 41m, doubling exchange capacity to 170m and adding a further 300,000km to the optical fibre network.

UK Labour party dilutes EU social chapter pledge

By John Kampfner in London

out would further destabilise the Moslem-Croat Federation, a pillar of the Dayton accords. "A pull-out would have very serious consequences, not only for Mostar, for the federation, for Bosnian elections and for the Dayton peace plan itself," Sir Martin said yesterday.

The stalemate casts an ominous shadow over Bosnia-wide elections set for September 14. The country's first national peacetime poll is intended to usher in the final phase of the year-long Dayton plan - the building of joint institutions aimed at reunifying the Moslem-Croat federation and the Bosnian Serb entity, Republika Srpska.

But the Croat boycott sets a precedent for extremist nationalist parties in control across Bosnia, suggesting that election results in September can be ignored by those who find them unpalatable.

Nationalist Croats claim Mostar as the capital of their self-styled mini-state Herzeg-Bosnia. Last week Mr Tudjman, after meeting US President Bill Clinton, reiterated his pledge last November in Dayton to dismantle their self-styled state.

Concern at Brussels influence on Britain's employment policy

The UK opposition Labour party is reducing its commitment to introduce the EU social chapter on working conditions if it enters government, saying it will not necessarily accept increased involvement by Brussels in British employment practice.

Mr Tony Blair is becoming increasingly concerned at what he believes are moves by the EU social affairs commissioner, Mr Padraig Flynn, to broaden the scope of the chapter during negotiations at the intergovernmental conference.

The Conservatives have identified the social chapter as one area of policy where they believe Labour could be vulnerable in the general election campaign. Conservative strategists say the "opt-out" secured by Mr John Major in the Maastricht treaty will prove a strong electoral asset. The next general election in the UK must take place before the end of May 1997.

Mr Stephen Byers, appointed last week by Mr Blair to take charge of policy on the social chapter and industrial relations, said Labour remained committed to the chapter, but would not be rushed into implementing its provisions.

A Labour government, Mr Byers said yesterday, would consult employers and employees on the strategy. "As part of our opt-in we would wish to seek the agreement of companies and workers on a realistic timetable for the implementation of the detailed requirements."

Mr Blair signalled last month his discomfort with some aspects of the chapter when he said he would preserve Britain's veto, not just on tax, social security and pensions questions, but also on the idea of co-opting workers on to company boards (codetermination). Aides say he has been struck by the level of concern in British industry at the prospect of trade union officials being guaranteed such posts.

"The Commission seems to have a shopping list of add-ons to the chapter which could be difficult for us," a senior party official said.

Mr Blair is said to be particularly worried by moves that may oblige companies with more than 50 employees to set up works councils. The cur-

rent minimum is 200, applying exclusively to companies employing workers in more than one country.

"Any proposals to extend the areas covered by the social chapter will be judged on whether or not they serve the national interest," Mr Byers said. Particular attention would be focused on their impact on the competitiveness of British companies.

The latest shift from from Labour's previous strong commitment to the social chapter was greeted by Conservatives as evidence of further difficulty for Mr Blair.

Mr Ian Lang, UK trade and industry secretary, said last night that Labour could not sort out the provisions of the chapter. "It is not a pick and mix. It would result in exactly the kind of social burdens that are destroying jobs in Europe and any suggestion of a timetable for the introduction of damaging legislation is false comfort."

Britain 'alone on 35 IGC issues', Page 5
Shaky trace, Page 13

Iran complains to UN over US retaliation threats

Continued from Page 1

attacks against American targets.

Mr Gingrich, speaking on the CNN television network, singled out Iran for criticism, calling for military action against what he said were 11 Iranian camps where as many as 5,000 terrorists were being trained to attack the US.

"If Iran is sponsoring terrorism," he said, "we should strip Iran of the capability of doing it."

He continued: "We have

every right as a nation to defend ourselves by saying to the Iranian government, 'either you close down these camps or we will'."

The slow pace of investigations to determine responsibility for three suspected terror attacks - the Sandi truck bombing on June 25, the July 17 crash of TWA flight 800 and the Atlanta Olympics bombing - has sparked increasing public discussion of retaliation.

Mr Perry raised the prospect

of military action in a radio interview on Friday, hinting that the US might attack Iran if investigators determined that Tehran was responsible for the Sandi truck bombing. But at the weekend he backed away from those comments, saying he had no direct knowledge that Iran was behind the attack. He said the complex nature of the attack and the size of the bomb pointed to "evidence of international terrorists".

COMPANIES & MARKETS

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Monday August 5 1996

Rank to aim for £300m in disposals

By Scheherazade Daneshzadé in London

Rank Organisation, the diversified UK leisure group, has drawn up plans for a disposal programme to raise up to £200m (£458m) as part of a restructuring by Mr Andrew Tearle, its chief executive.

Mr Tearle will unveil details with Rank's first-half figures on Thursday.

The announcement is expected to include the disposal of Precision Industries, which makes equipment for the entertainment industry, and an overhaul of the way Rank accounts for profits from its holding in Rank Xerox.

It is believed Rank, which is considering selling its 28 per cent stake in the office equipment joint venture, is looking at ways to restructure its holding to avoid a hefty capital gains tax bill on such a disposal.

As a first step, Rank is likely to treat Rank Xerox profits in future as a dividend rather than through equity accounting, which has flattened past profits.

Had Rank treated last year's contribution as a dividend, its pre-tax profits would have been reduced from £407m to £275m.

Analysts, meanwhile, believe the sale of Precision Industries could raise about £75m, while Shearings, Rank's coach holding business which was put up for sale last month could fetch £20m.

Yesterday, the company declined to comment on its restructuring plans. They follow a four-month review of Rank's businesses, which range from Hard Rock cafés and Butlins holidays to high-technology manufacturing.

As part of that review, Mr Tearle is expected to announce cost cutting measures and a more unified management structure for Rank's four main units – holidays, recreation, leisure, and film and television.

Some analysts believe Mr Tearle should propose a demerger of Rank's film and video businesses since they are not integral to the company's focus on packaged entertainment and leisure.

Rank's mature businesses, including Butlins and Haven, the caravan park operator, are expected to come under scrutiny and a freeze is likely on new Oasis Villages, which cost up to £100m each.

New areas for Rank's current £1.2bn investment programme are likely to include a much greater focus on developing its business overseas, notably by expanding Hard Rock cafés and multi-leisure centres into continental Europe.

Pre-tax profits for the first six months are expected to be £170m–£175m, against £157.8m last time under current accounting procedures, largely due to a one-off £15m profit from a revision of contractual arrangements with Texas Instruments, its US partner in one project.

Lex, Page 14

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INSIDE

CME

Central European Media Enterprises (CME), the US pioneer of private commercial television in central and east Europe, has increased its stake in Nova TV, the leading Czech broadcaster, from 66 per cent to 88 per cent. Page 17

IT Stocks

Shares in European publicly quoted technology companies fell sharply between the beginning of June and mid-July, according to a London-based IT mergers and acquisitions specialist Broadview Associates' latest European IT Index figures show that technology shares dropped 7 per cent between June 1 and July 16, more than twice the decline shown by the FT-SE Eurotrack 100, which fell 3.1 per cent. Page 17

Christian Salvesen

The board of Christian Salvesen, the distribution group which last week rejected a £1bn takeover approach from Hays, is expected to meet in the next few days to consider an improved offer from its UK rival. Page 18

Ultra Electronics

Ultra Electronics, a former UK subsidiary of Dowty Group, announced plans to seek a stock market listing which would value the defence and aerospace electronics manufacturer at £120m–£130m. Page 16

Global Investor

Once again the ghosts of Japan's banks are proving to be unwelcome guests at the stock market feast. The irony this time is that, having been exhorted to put their house in order for so long, it is the prospect that banks might actually be trying to do so that is giving the market the jitters. Page 18

USAir moves to end link with BA

By Robert Rice in London

The US courts are to be asked to sever the three-year-old link between USAir, the American carrier, and British Airways.

The move comes as part of the antitrust lawsuit filed by USAir against BA over the UK carrier's plans to form a global alliance with American Airlines. USAir has asked the court to order BA to sell its 24.6 per cent share in USAir and withdraw its two nominee directors.

The USAir board met on Fri-

day to be briefed on the lawsuit, prompting speculation that BA will this week step up pressure on the US carrier to drop the action or face a counter suit from BA.

"Nothing is ruled in and nothing is ruled out. But British Airways has no intention of divesting its stake in USAir or of asking its two directors to resign from the USAir board," BA said yesterday.

Directors had been told that everything BA had done was consistent with the law and the UK carrier's obliga-

tions under the agreement with USAir. The company was satisfied it had no liability to USAir.

BA is angry it had no warning of the legal action. Meetings between senior BA and USAir managers had been taking place to work out how the alliance with American Airlines could strengthen USAir's position and there had been no hint of problems with the proposed alliance or of the pending lawsuit.

"It came as a bolt from the blue," the company said.

Directors are said to feel particularly let down because BA has stood by USAir through some difficult times over the past three years. The UK carrier lent USAir \$1m to shore up its balance sheet and supported it in its marketing battle with Continental Lite, a subsidiary of Continental Airlines.

BA also pointed out that there was nothing in the agreement with USAir to prevent either entering into alliances with other airlines.

The meetings between

senior managers on the implications of the proposed alliance with American are said to be continuing, but BA said yesterday that since the antitrust lawsuit was filed there had been no top level contact between the two companies.

Six airlines have written to President Bill Clinton, urging him to suspend bilateral negotiations over a new "open skies" agreement until the UK has agreed that US carriers would gain access to London's Heathrow airport. The US has made an "open skies" agreement a precondition of its approval of the BA/American deal.

the US Justice Department.

The alliance, under which

the two airlines would co-operate on transatlantic routes, is also strongly opposed by US carriers.

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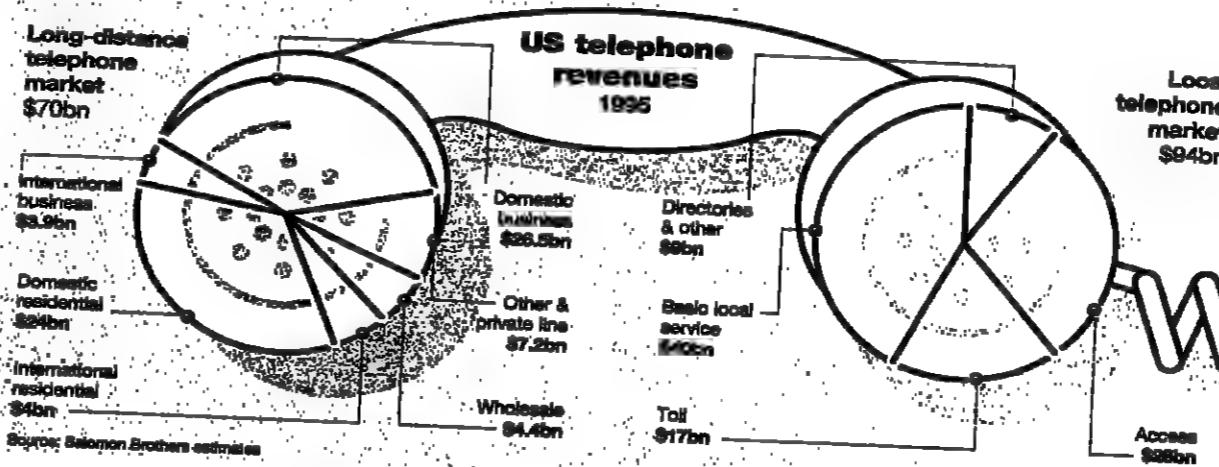
airport. The US has made an "open skies" agreement a

precondition of its approval

of the BA/American deal.

Richard Waters on forthcoming battles in the newly-liberalised US telecoms market

Hunt for the local heroes



the heart of this cost accounting debate.

The first concern is what are known as "access charges" – the amount, generally estimated at between \$30bn–\$30bn a year, that long-distance companies pay to local companies to have their calls completed.

This is an issue that the FCC largely ducked last week. It is an inflated charge, as the Baby Bells are only too willing to admit. The cost of providing the service is far lower. But the Bells argue that they need the money to help cover the cost of providing a low-cost, universally available residential telephone service.

The FCC has not set the prices. Those will be agreed in negotiations between the companies, subject to arbitration by the states. But the FCC has set guidelines that the states must follow in arbitration cases – in effect creating the field on which this game will be played.

Two broad questions lie at

long-distance operator, it is around \$8bn. Ms Anne-Marie Kovacs, a telecoms analyst at Janney Montgomery Scott, suggests it is probably \$10bn–\$15bn.

Both are far lower than the present access levy and hint at how the Bells,

encumbered by cost structures developed as regional monopolies in a regulated industry, are not yet ready for the competitive market.

"If access charges went down to cost, there would be a very big hole [in the Bells' accounts]," said Ms Kovacs.

The FCC has chosen to tread carefully, largely delaying a decision over access charges until a separate decision is made – by the middle of next year – on how to protect universal access to telephone service.

"One of the great fears that anybody has in the public policy arena is to see as

raising local rates," said Mr

Gérard Salamme, chief lobbyist at AT&T, the leading long-distance operator. That fear will continue to inform the debate over access charges.

The second broad question

raised by last week's ruling

concerns the cost at which

companies should rent

capacity to each other. They

can do that by selling calling

space in bulk, or by renting

out individual parts of their

networks, such as the

switches that route calls or

the local loops that link each

home to the network.

This, again, is fertile

ground for the cost accountants.

Bells local calling volume

will be sold at a dis-

count – but how big?

According to the FCC, the

discount will be based on the

costs (such as marketing)

that the Bells have avoided

by not having to sell at retail

prices. That pointed to dis-

counts of 17 to 25 per cent,

the regulators suggested –

well below the 40 per cent

that AT&T has said in the

past would be necessary to

enable it to compete for local

calling business.

The actual rates, though,

will be set in negotiation and

arbitration. AT&T, for one,

suggested last week it

believed it could assemble

arguments for a bigger dis-

count than that.

The cost of "unbundled"

pieces of the network, such

as switches, is also a matter

on which the accountants

will spend may fruitful

hours. However, the FCC

handed a partial victory to

the long-distance companies,

which have argued that they

should not be forced to support

the Bells' historic, obsolete

cost structures. Instead,

the prices will be based on a

forward-looking measure of

what it costs to provide

these facilities in a competi-

tive market.

Much hangs on the out-

come of debates over the

outcomes. Page 18

Kleinwort faces UK trust revolt

By Nicholas Denton

in London

Independent directors of Kleinwort, the £500m privatised investment trust in the midst of a takeover battle, are mounting a revolt against Kleinwort Benson Investment Management, its manager.

The directors, who are meeting tomorrow, may reject Kleinwort's proposal on restructuring the fund and opt for alternative funds from Morgan Grenfell Trust Managers or other houses.

The entry of Morgan Grenfell Trust Managers, part of Deutsche Morgan Grenfell, gives a further twist to the battle, which began when

proposals to turn Kepit into a unit trust. But directors are understood to be irritated at the impression given by Kleinwort that conversion was a foregone conclusion.

On Friday, Kleinwort directors received alternative proposals from Morgan Grenfell, arguing Kepit should cut its exposure to the privatisation stocks. The move is not a bid but positions Morgan Grenfell to replace Kleinwort as manager.

COMPANIES AND FINANCE

Salvesen to consider improved Hays bid

By Tim Burt

The board of Christian Salvesen, the distribution group which last week rejected a £1bn (\$1.65bn) takeover approach from Hays, is expected to meet in the next few days to consider an improved offer from the UK rival.

The company is understood to have received a let-

ter from Hays at the weekend containing revised proposals for a cash and paper offer.

The move follows the rejection of Hays' earlier 370p-a-share bid, which Salvesen directors described as inadequate.

Company officials hinted that the board was unlikely to recommend an offer of less than 400p a share.

Moreover, Salvesen indicated that it had not been convinced by Hays' claims of strong industrial synergies between the two sides and the promise of a dominant position in continental Europe.

Industry analysts, meanwhile, have warned Hays that a bid worth more than 390p a share would risk diluting its own earnings

per share.

The Surrey-based distribution company was said at the weekend to have not yet "formalised" its offer and described the details of its fresh approach to Salvesen as exploratory.

It has assured institutional shareholders that it will not overpay for Salvesen, which earlier this year reported a flat pre-exceptional profit of £76.6m (£77.7m) for the 12 months to March 31, 1995.

Mr Ronnie Frost, Hays' executive chairman, last week sent a letter to Sir Alick Rankin, his Salvesen counterpart, in which he is understood to have offered 57 Hays shares and £73.10 in cash for every 88 Salvesen shares.

Hays yesterday refused to disclose the contents of its latest approach to Salvesen. But analysts said the company was aware that either it had to increase the offer or walk away.

Dairy Farm director to stand down

By Louise Lucas in Hong Kong

Mr Graeme Seabrook, managing director and group chief executive of Dairy Farm International, the food retailing arm of Singapore-listed Jardine Matheson, is to quit at the beginning of next month.

His departure, attributed to personal reasons, comes after a series of reshuffles aimed at beefing up management and means that Mr Chris Nelson, chief executive of Dairy Farm Asia, will assume the top slot until a new managing director is found.

Mr Seabrook had been performing poorly in recent years, and last year suffered a 36.8 per cent drop in net profit, which fell from \$213.8m in 1994 to \$142.2m (\$26.6m) last year.

Asia is the engine of the group, accounting for some 44.7 per cent of trading profits last year, while Europe turned in a loss.

The weak performance has been blamed by analysts on management's failure to keep abreast of the competition.

replacement has been recruited. Mr Nelson will also leave Asia - as previously announced - to take up a new position as become regional director (Europe).

He will assume responsibility for the loss-making Spanish chain, Simago, which was acquired by the company in May 1990.

Dairy Farm has been performing poorly in recent years, and last year suffered a 36.8 per cent drop in net profit, which fell from \$213.8m in 1994 to \$142.2m (\$26.6m) last year.

Asia is the engine of the group, accounting for some 44.7 per cent of trading profits last year, while Europe turned in a loss.

The weak performance has been blamed by analysts on management's failure to keep abreast of the competition.

Ultra Electronics heads for market

By Tim Burt

Ultra Electronics, a former subsidiary of Dowty Group, announced plans at the weekend to seek a stock market listing valuing the defence and aerospace electronics manufacturer at £120m-£130m (\$187m-\$203m).

The company, which relies on UK defence orders for more than 50 per cent of its sales, hopes to raise about \$60m from a partial institutional placing.

Most of the proceeds will be used to repay preference shareholders and provide an exit for backers of its 1988 buy-out from TI Group, which acquired Dowty in 1992.

Under the flotation plans, venture capital groups including Philpott, part of UBS, SI and HSBC Private

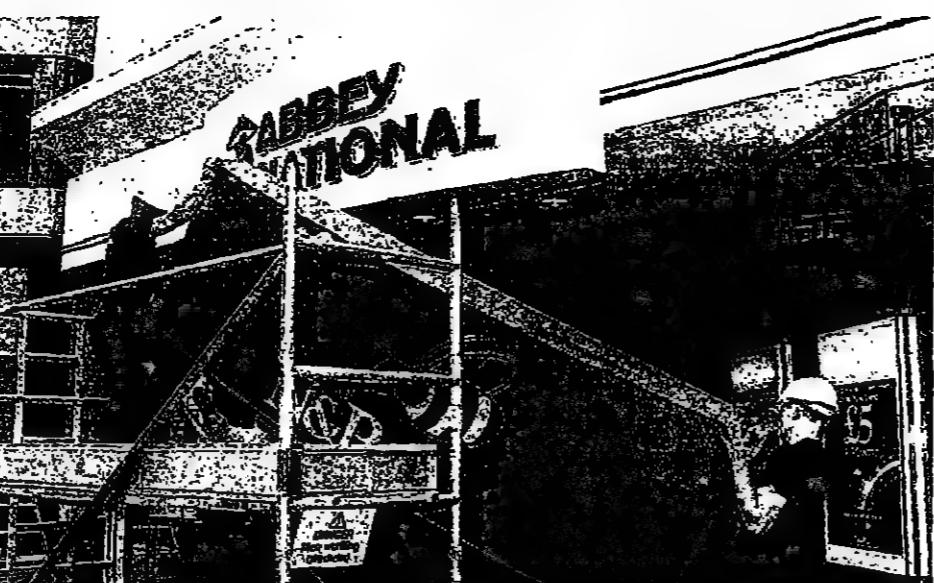
Equity, will see their 73 per cent stake roughly halved.

Ultra, which has a forward order book worth £184m, last year enjoyed a sharp increase in underlying profits from £4.6m to £10.6m on improved sales of £97.3m (£80.3m).

Mr Julian Blogh, chief executive, said its prospects had been further bolstered by its status as a British Aerospace supplier on the new-generation Nimrod maritime patrol aircraft and the Eurofighter.

Yesterday, he also announced plans to develop Ultra's presence in North America with the \$9.5m (£6.1m) acquisition of MSI, the US tracking controls manufacturer.

The flotation is being handled by Schroders with Cazenove acting as brokers.



N&P busy bee buzzes off

The busy bee of National & Provincial, which has served its northern constituency for 150 years, disappears today as its £1.35bn (\$2.1bn) takeover by Abbey National becomes official, writes Motoko Rich.

The Abbey name will go up in place of the N&P banner on 200 branches. Customers of

Brunner Mond plans listing

By Conner Middelmann

Brunner Mond, the UK's only manufacturer of soda ash and refined sodium bicarbonate, plans to list its shares on the London market in the autumn, raising about £60m (\$83.6m).

The company was last listed in 1926 before it merged with three other companies to form ICI. It remained a part of ICI until 1991, when it was purchased

through a buy-out financed by a syndicate of investors led by CVC Capital Partners and Byvest Advisers.

Brunner Mond has an 80 per cent share of the UK market for soda ash, which is an important raw material in the manufacture of container and flat glass, detergents and other chemicals.

Its UK customers include all leading glass manufacturers such as Pilkington, PLM

Redfearn, Rockware and United Glass, as well as leading detergent manufacturers, including Procter & Gamble and Unilever.

Brunner Mond is estimating turnover of £188.8m and operating profit of £19.4m for the year ending June 30, 1995.

Baring Brothers International is acting as sponsor and underwriter and HSBC James Capel as stockbroker to the flotation.

Allders close to £23m deal

By Conner Middelmann

shrewd move in view of the fact that duty-free sales within the European Union will be abolished in 1999.

Allders said yesterday that it intends "to return a significant amount" of its £100m cash pile to shareholders. Market observers have been speculating that about half of that balance would be returned to shareholders, either by issuing a special dividend or through a share buy-back, and the remainder would be used for acquisitions and refurbishments of the 12 department stores Allders already owns.

It has not been indicated yet whether the newly acquired stores will trade under the Allders name, as do all of the group's stores, except for Arding & Hobbs in Clapham. Allders shares closed unchanged at 200p on Friday.

FINANCE

Why vulture funds are vital to ecology

Nicholas Denton reports on the increase in takeover activity for investment vehicles

FUND MANAGEMENT

from 7 per cent a year ago to 11 per cent at present. The Malaysia Equity Fund and GT Chile were both trading at about 20 per cent below net asset value when they were attacked.

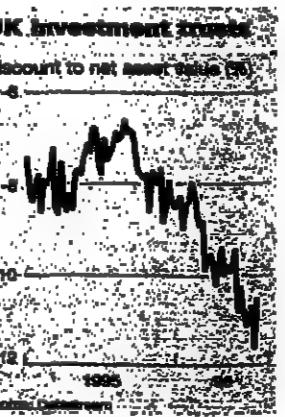
The discounts of investment funds largely follow a rhythm of their own, unrelated to underlying markets. Discounts encourage takeovers, which reduce discounts. And some of the funds which have proliferated in the last ten years have come to the end of their natural life.

Another factor is the growing maturity of emerging markets. Many investment funds exist to give institutions access to often illiquid emerging markets. Since 1993, mainstream institutions such as pension funds, anxious to invest in growing economies, have increasingly made emerging markets a key part of their portfolios. As their research into these countries has developed, the institutions have grown sufficiently confident to invest in individual stocks. That has become easier too as local stockmarkets become more liquid.

Therefore institutions no longer need to rely to the same extent on middle men such as investment funds.

The problem is that most investment funds, like any conglomerate with a broad portfolio, trade at a discount to their net asset value. In effect, the are worth more broken up. When that discount hits 15-20 per cent, it becomes viable to mount a bid for the fund. There are many ways to release value, from winding up to "open-ended". In an open-ended fund, investors are free to withdraw their money and the managers obliged to buy and sell units at net asset value.

Since August last year, discounts in investment trusts listed in the UK have been steadily widening. The average discount, reversing an earlier decline, has risen



Pacific, based in Hong Kong, and Buchanan Securities, in London, are two of the most high-profile. But even mainstream institutions such as Hermes, which manages the post office workers pension funds, have supported hostile bids. One should not expect an explosion of deals in the sector. There are plenty of investment trusts on discounts of 20 per cent or more. But targets need to be larger than £200m to make a takeover attempt worthwhile, which limits the possibilities.

There is also the danger of a backlash against some more controversial bid tactics. While the UK takeover code applies to targets such as Kepit, it does not to those such as GT Chile which are registered offshore. The fact that many are still listed in London gives the Stock Exchange some influence. It is considering rule changes which would make it harder for a fund manager to take a stake in a listed fund and then award itself a lucrative investment management contract.

Nevertheless, analysts expect a series of bids in the investment trust sector. That should begin to reduce the discount which encouraged the activity in the first place. For all their sometimes ugly appearance, the vulture funds are a vital part of the ecology of the investment fund sector.

Portugal's most experienced international bank



Banco Totta & Açores is the result of mergers and acquisitions of several banks and finance houses over the years, dating back to 1843.

Proud of its past, Banco Totta & Açores is now one of the leading banks in Portugal. But more than just a bank, Totta became the true expression of a powerful financial group.

Totta, probably the most experienced Portuguese bank in international business.

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SINCE 1843

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FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Gerard Baker

The unwelcome guests

Once again the ghosts of Japan's banks are proving to be unwelcome guests at the stock market feast. An important factor currently holding back the equity market from consolidating gains made earlier in the year is the re-emergence of concern about the condition of the financial sector.

The irony this time is that, having been exhorted to put their house in order for so long, it is the prospect that banks might actually be trying to do so, that is giving the market the jitters.

In the last few months there has been some solid evidence that a radical rethink might have started in the way Japanese banks do business. Many banks have decided to call a halt to the perilous game of stretch-

ing their balance sheets at both ends that has been a hallmark of their performance in the last twenty years.

The collapse of asset prices has at last started to force banks to talk publicly about retrenchment from the first time. Two of the biggest - Sumitomo and the Long Term Credit Bank of Japan - have already committed themselves to contracting their lending assets. Others are sure to follow.

But they know that such a change will not come about overnight. The more pressing demand is to do something about the hole at the other end of the balance sheet - their capital.

The problems of rapid growth of the loan book were compounded in the

1980s by the fact that it was facilitated, not by a real expansion of the banks' capital base, but by the conversion of only semi-genuine capital.

Hidden reserves, the capital gains on vast quantities of shares held in other companies were allowed to count (albeit at a discount) by financial authorities towards banks' so-called tier two capital. While banks did also increase their core (tier one) shareholders' capital in the 1980s, the bulk of the capital increase came from the stock market's sudden surge during the period, and the accompanying nod and wink towards the regulators that all would be well.

The damage done by five years of falling stock prices has now been seriously exac-

erbated by the realisation of many of the capital gains on equities to cover loan loss write-offs. The combination has put the banks' capital adequacy under severe strain. All but the strongest banks have BIS risk asset weighted ratios below 10 per cent, well below accepted levels of safety for US and European banks. Under pressure from the authorities, banks are preparing at last to repair the damage.

At their annual meetings in June, banks asked their shareholders to approve plans to issue preference shares. Since then investors have waited nervously for the debut of new issues. So far, it has not come.

Last week the Industrial Bank of Japan said it planned to raise Y225bn

Interest rates converted to the limit					
Year	Rate	Term 1	Term 2	BIS ratio	(Avge)
City banks	328.67%	15.02%	15.02%	8.1	
Long-term credit banks	66.30%	2.67%	2.67%	1.7	
Total banks	57.50%	5.06%	2.88%	10.0	
Average	469.22%	20.92%	20.92%	9.2	

Source: Bank of Japan

Total return in local currency to 1/8/96					
	% change over period				
	US	Japan	Germany	France	UK
Cash	0.10	0.01	0.06	0.07	0.17
Week	-0.10	-0.04	-0.23	-0.32	-0.48
Month	-0.46	-0.04	-0.32	-0.48	-0.78
Year	5.81	0.69	4.56	5.04	7.13
Bounds 3-5 year					
Week	-0.87	-0.03	0.15	2.05	-0.17
Month	1.12	-0.08	1.27	1.04	0.51
Year	5.28	2.07	5.40	10.97	9.92
Bounds 5-10 year					
Week	1.40	0.01	0.15	0.15	0.09
Month	1.57	-0.17	1.51	1.53	1.04
Year	5.18	2.83	5.61	12.54	10.88
Bounds 10+ year					
Week	3.1	0.8	1.1	1.8	1.4
Month	3.6	-0.3	-2.8	-4.8	-0.6
Year	12.8	21.5	10.8	5.2	12.7

Source: Cash & Bonds - Lehman Brothers.
The FTSE 100, Bonds, World Indices are monthly based by FT International.
Limited. Gilt Index, Shares & Co., CBI, and Standard & Poor's.

Excludes FTSE 100, Bonds, World Indices are monthly based by FT International.
Limited. Gilt Index, Shares & Co., CBI, and Standard & Poor's.

just Y100bn, but the hope is that the signal that the authorities are standing by might prove enough to calm investors' fears.

Sadly, it might have the opposite effect. To many observers the root of the Japanese banks' travails of recent years has been the close involvement of the authorities in every aspect of their business.

The spectacle of the central bank, under the aegis of the ever-attentive finance ministry, buying up shares in troubled banks, suggests strongly that no change has taken place.

The authorities would be better advised to let the banks take their own chances with the market. Only then will the real condition of some of the weaker banks be made clear to investors.

The spectacle of the central bank, under the aegis of the ever-attentive finance ministry, buying up shares in troubled banks, suggests strongly that no change has taken place.

strikes hold

COMPANY RESULTS DUE

Northwest proceeds set to lift KLM profit

■ KLM Royal Dutch Airlines: Estimates for tomorrow's first-quarter net profits for the Dutch carrier range from Fl 94m to Fl 258m, or Fl 1.00-Fl 2.77 per share, up from Fl 138m, or Fl 1.46 per share a year earlier, according to analysts' forecasts.

One analyst sees year-on-year profit growth coming chiefly from the proceeds of KLM's sale of 6,554 preferred shares in Northwest Airlines.

Analysts are divided on the question of how KLM and Northwest will proceed with their partnership. He said KLM is likely to withdraw its pending lawsuits against Northwest, which it began last year after Northwest instituted a poison-pill construction that limited KLM's stake to 19 per cent.

AFX, Amsterdam

■ Schering: The German drugs group is expected to announce on Wednesday a 13-18 per cent rise in interim net profits from DM185m (\$128m) in the first half of 1995. The company will have

benefited from the weaker mark as well as the European launch of its multiple sclerosis drug, Betaseron, said analysts. Net profit sank to DM249m in 1995 from DM285m a year earlier, depressed by extraordinary factors such as write-downs on its hormone drugs, price cuts on its contrasting agents in the Japanese market and the effects of the strong mark. In the first quarter, Schering posted a 16 per cent increase in net profit to DM131m.

AFX, Frankfurt

■ Wolters Kluwer: The Dutch business, tax and legal publisher is tomorrow expected to report first-half net profits of Fl178m-Fl200m (\$108m-\$121m) tomorrow compared with Fl200m a year earlier, according to analysts' forecasts.

One analyst said: "There could be some surprises this

time due to the CCH acquisition [in the US], and I expect a change in the seasonal pattern of earnings as CCH generates more in the second half." The \$1.9m acquisition of CCH print and electronic publishing, was consolidated with Fl200m a year earlier, analysts said. One analyst attributed the expected sharp drop chiefly to price declines of 30-40 per cent for steel and about 15 per cent

for primary aluminum.

AFX, Amsterdam

■ Hoogovens: The Dutch steel and aluminum producer is expected tomorrow to report first-half net profit after extraordinary of Fl120m-Fl125m, compared with Fl100m a year earlier, analysts said. One analyst attributed the expected sharp decline in profits because of increasing tough competition amounting to a price war, in the company's main medical

imaging business, particularly in the US. The termination in March of its delivery contract with American Healthcare Systems was a blow and led to the company issuing a profits warning.

The market has been looking for a coherent strategy since the collapse of Nycomed with Ivarax November 1995. Although Nycomed emerged with a substantial marketing deal with Ivarax, the market would still prefer a merger or takeover.

■ British Petroleum: After Shell's disappointing second quarter, the market will be wary about BP's three-month results announced tomorrow, despite the benefits that will be forthcoming from higher oil prices. Aside from the downturn in chemicals, analysts will look closely at BP's upstream production levels which failed to live up to expectations last year. Refining margins should remain strong, while the marketing business is likely to be still suffering from intense competition at the pumps in the UK. NatWest Securities is forecasting net income of \$870m, against \$563m, for the quarter, and a 10% increase in the interim dividend to 5p.

AFX, Hong Kong

■ Nycomed: The Norwegian pharmaceuticals group is expected to report first-half pre-tax profits of between Nkr550m-Nkr600m (\$102m-\$126m). No comparable figure is available due to the demerger of Hafslund, agreed by shareholders in May. The company said it would include a pro forma comparison in today's results. Analysts expect a sharp decline in profits because of increasing tough competition amounting to a price war, in the company's main medical

imaging business, particularly in the US. The termination in March of its delivery contract with American Healthcare Systems was a blow and led to the company issuing a profits warning.

The market has been looking for a coherent strategy since the collapse of Nycomed with Ivarax November 1995. Although Nycomed emerged with a substantial marketing deal with Ivarax, the market would still prefer a merger or takeover.

AFX, Oslo

■ Hang Seng Bank: The Hong Kong bank is today expected to report first-half net profits of between HK\$8.72bn-HK\$4.22bn (\$436m-\$406m), up 10-30 per cent. Analysts expect the bank's net interest income to grow from HK\$4.4bn-HK\$5.5bn, from HK\$3.85bn, operating profit is set at

HK\$4.1bn-HK\$5bn, up from HK\$3.6bn. The bank's earnings expectations are in line with growth in the banking sector.

AFX, Hong Kong

Mitsui Marine 1996

A Message from the President



Takeo Inokuchi

During the last business year,

premiums earned

Net income from underwriting

Investment income, net of investment expenses

Realized gains/(losses) on investments

Net income*

Total assets

Total stockholders' equity

Combined loss and expense ratios(%)

Net income per European Depository share,

each representing 10 shares of common stock

(in yen and U.S. dollars)*

relaxed. As a result, insurers can carry on both life-insurance business and non-life insurance business by establishing subsidiaries, as well as introduce insurance brokering systems.

In order to survive in this transition period, the Company is required to establish a strong management base which can respond precisely to the changing business environment.

Therefore, the Company intends to take the following steps:

introduce promotional activities that, above all, satisfy customer needs; restructure itself in order to reduce costs through measures that enhance overall efficiency; and realize higher growth and profitability based on the slogan "Speed! Change! Aggressiveness!"

As a means to this end, the Company will further develop the "AIM TOMORROW" strategy, which was initiated in 1995 and will run through to 1998.

The Company will enter the life-insurance business through a subsidiary and is now making preparations for the start-up of business this term.

Accordingly, we would greatly appreciate your continued support and encouragement.

AFX, Amsterdam

■ FINANCIAL HIGHLIGHTS

For the years ending March 31, 1994, 1995 and 1996

Yen in millions

U.S. dollars in thousands

1994 1995 1996 1994 1995 1996

Net premiums written

583,119 601,286 619,760 5,846,792

Premiums earned

571,577 588,090 604,619 5,703,953

Net income from underwriting

2,662 24,433 23,377 220,537

Investment income, net of investment expenses

26,294 15,096 47,027 443,650

Realized gains/(losses) on investments

5,512 8,993 (20,016) (188,830)

Net income*

20,344 25,926 28,255 266,556

Total assets

MARKETS: This Week

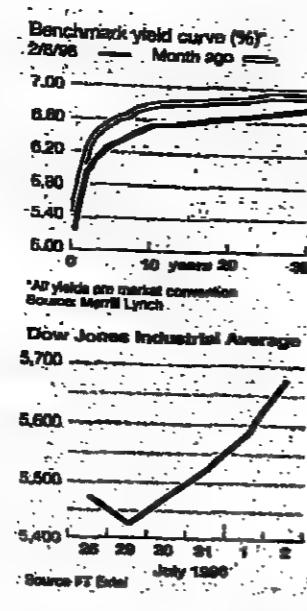
NEW YORK By Richard Waters

After Friday's surge in bond and stock prices, capping the biggest weekly advances for five years, the US financial markets may well take a pause for breath as the new week gets under way.

The reversal of sentiment reflected the accumulation of new information last week, culminating in Friday's July employment report, which suggested economic growth had slowed. By Friday night, the markets had decided that earlier fears - of inflationary pressures building up, and an imminent rise in interest rates - were entirely misplaced.

Whether that provides a launch-pad for further gains is another question though. One of the engines that drove the stock market forward earlier in the spring - the flood of new cash into mutual funds - has almost ground to a halt, while the euphoria that accompanied the market's earlier uninterrupted rise has dissipated.

A sustained bond market rally could set the tone for another advance in stock prices. But with little new economic data due, and a quarterly refunding in the middle of the week - including the sale of 30-year bonds - the Treasury market may have trouble



All yields are quoted convention
Source: Merrill Lynch

Dow Jones Industrial Average

5,700

5,600

5,500

5,400

5,300

5,200

5,100

5,000

4,900

4,800

4,700

4,600

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900

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700

600

500

400

300

200

100

0

July 1996

Source: FT Estat

لماضي الارهاب

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

	Closing mid-point	Change on day	Bid/offer	Day's Mid	High	Low	Rate	%PA	One month	Three months	One year	Bank of England index
Europe												
Austria	(Set)	-0.0599 913 - 594	16.1208	16.0155	16.0367	16.0154	15.9347	-2.6	-	-	105.3	
Belgium	(Set)	-0.0591 713 - 243	47.0104	46.9104	46.9104	46.9104	46.7167	2.4	46.9206	2.5	107.3	
Denmark	(DK)	-0.0506 029 - 115	5.8520	5.7474	5.7474	5.7474	5.7151	1.2	5.8533	1.8	115.5	
Iceland	(FI)	-0.0505 145 - 257	5.9700	6.0120	6.0120	6.0120	5.9162	0.8	5.9700	1.7	104.5	
France	(FF)	-0.0494 975 - 441	7.7828	7.7277	7.7275	7.7275	7.7088	1.9	7.8124	1.7	107.8	
Greece	(GR)	-0.0153 784 - 500	2.2383	2.2756	2.2749	2.2749	2.2853	2.4	2.2201	2.3	103.3	
Ireland	(IE)	-0.0523 269 - 500	0.9824	0.9769	0.9762	0.9762	0.9585	0.6	0.9856	0.5	98.1	
Italy	(I)	-0.0544 757 - 135	235.98	234.59	234.59	234.59	235.84	-2.8	237.84	-2.0	76.0	
Luxembourg	(LU)	-0.0476 - 0.0476	44.0104	43.9104	43.9104	43.9104	43.7165	2.4	45.8515	2.3	107.3	
Netherlands	(NL)	-0.0505 258 - 500	4.9701	5.0207	5.0207	5.0207	4.9547	2.5	5.0207	1.7	107.3	
Norway	(NO)	-0.073 811 - 406	8.9287	8.9287	8.9287	8.9287	8.9104	1.0	8.9289	1.1	104.3	
Portugal	(PT)	-0.0528 156 - 691	235.006	234.953	234.953	234.953	235.006	-2.3	236.985	-1.6	95.6	
Spain	(ES)	-0.053 897 - 807	165.265	163.783	164.254	164.254	164.778	-1.6	165.175	-1.7	80.3	
Sweden	(SE)	-0.0504 299 - 450	10.1364	10.1364	10.1363	10.1363	10.1364	0.0	10.1363	0.0	88.3	
Switzerland	(CH)	-0.0502 548 - 575	1.9885	1.9882	1.9812	1.9812	1.9404	3.2	1.9882	3.4	113.8	
UK											104.3	
Ecu											104.3	
SDR											104.3	
Americas											104.3	
Argentina	(Pe)	-0.0448 565 - 408	1.5518	1.5385	-	-	-	-	-	-	104.3	
Brazil	(BR)	-0.0514 520 - 581	1.5689	1.5449	-	-	-	-	-	-	104.3	
Canada	(CA)	-0.0523 0173 109 - 114	1.5104	1.5104	1.5104	1.5104	1.5104	0.4	1.5105	0.8	104.3	
Mexico (New Psu)	(MX)	-0.0521 0152 028 - 327	11.7440	11.5554	-	-	-	-	-	-	104.3	
USA	(US)	-0.0542 0141 418 - 430	1.5220	1.5402	1.5418	1.5418	1.5417	0.1	1.5426	0.0	104.3	
Specific/Middle East/Africa											104.3	
Hong Kong	(HK)	-0.0505 0281 945 - 959	2.0278	1.9922	1.9892	1.9892	2.0038	-1.8	2.0284	-1.8	90.3	
India	(IN)	-0.0574 0043 029 - 051	5.1640	5.0426	-	-	-	-	-	-	104.3	
Ireland	(IE)	-0.0518 0294 059 - 591	4.8812	4.8470	-	-	-	-	-	-	104.3	
Malta	(MT)	-0.0507 450 - 454	3.9704	3.9541	-	-	-	-	-	-	104.3	
New Zealand	(NZ)	-0.0577 0020 028 - 032	0.9365	0.9365	0.9365	0.9365	0.9365	-0.7	0.9371	-0.8	105.8	
Philippines	(PH)	-0.0589 0389 033 - 035	40.4766	40.3555	-	-	-	-	-	-	104.3	
Saudi Arabia	(SA)	-0.0567 0023 022 - 025	5.8205	5.7769	-	-	-	-	-	-	104.3	
Singapore	(SG)	-0.0547 0171 024 - 024	2.1945	2.1854	-	-	-	-	-	-	104.3	
South Korea	(KR)	-0.1254 0113 014 - 015	1.4971	1.4971	1.4971	1.4971	1.4971	-0.1	1.4971	-0.1	104.3	
Taiwan	(TW)	-0.0524 0155 026 - 027	45.2740	45.2740	-	-	-	-	-	-	104.3	
Thailand	(TH)	-0.3698 0359 049 - 065	39.1800	38.9220	-	-	-	-	-	-	104.3	

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

	Closing mid-point	Change on day	Bid/offer	Day's Mid	High	Low	Rate	%PA	One month	Three months	One year	J.P. Morgan index
Europe												
Belgium	(Set)	-0.04750 - 105 700 - 800	30.5540	30.4280	30.4242	30.4242	30.3025	-2.2	29.765	2.3	107.3	
Denmark	(DK)	-0.05104 - 215 804 - 914	5.7245	5.7025	5.6869	5.6869	5.6569	-1.7	5.6169	1.8	107.3	
Iceland	(I)	-0.05104 - 147 847 - 957	4.5007	4.4907	4.4807	4.4807	4.4697	-1.6	4.4907	1.6	104.3	
France	(F)	-0.05105 - 0043 775 - 885	1.4925	1.4762	1.4762	1.4762	1.4625	-1.7	1.4925	1.5	104.3	
Greece	(GR)	-0.05050 - 055 820 - 930	235.500	235.200	235.200	235.200	235.500	-8.5	240.025	8.5	104.3	
Ireland	(IE)	-0.05105 - 0113 660 - 770	1.6054	1.5960	1.5960	1.5960	1.5876	-0.4	1.6054	-0.4	104.3	
Italy	(I)	-0.05105 - 177 752 - 868	235.88	234.59	234.59	234.59	235.84	-2.8	237.84	-2.0	104.3	
Luxembourg	(LU)	-0.05050 - 028 705 - 815	30.5340	30.4280	30.4242	30.4242	30.3025	-2.2	29.765	2.3	107.3	
Norway	(NO)	-0.05050 - 020 755 - 865	1.6054	1.5960	1.5960	1.5960	1.5876	-0.4	1.6054	-0.4	104.3	
Portugal	(PT)	-0.05050 - 020 755 - 865	1.6054	1.5960	1.5960	1.5960	1.5876	-0.4	1.6054	-0.4	104.3	
Spain	(ES)	-0.05050 - 020 755 - 865	1.6054	1.5960	1.5960	1.5960	1.5876	-0.4	1.6054	-0.4	104.3	
Sweden	(SE)	-0.05050 - 020 755 - 865	1.6054	1.5960	1.5960	1.5960	1.5876	-0.4	1.6054	-0.4	104.3	
Switzerland	(CH)	-0.05050 - 020 755 - 865	1.6054	1.5960	1.5960	1.5960	1.5876	-0.4	1.6054	-0.4	104.3	
UK											104.3	
Ecu											104.3	
SDR											104.3	

WORLD INTEREST RATES

	Over night	One month	Three months	Six months	One year	Lambert rate	Over夜

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Name	WPS	Price change
Aldi & Supermarkets Ltd	125	-1.0
Albert Heijn	125	-1.0
Barclay & Wilson	125	-1.0
Bartons	125	-1.0

BANKS, MERCHANT

Name	WPS	Price change
Banque Indosuez	125	-1.0
Banque Paribas	125	-1.0
Banque Rothschild	125	-1.0
Banque Societe Generale	125	-1.0

BANKS, RETAIL

Name	WPS	Price change
ABN Amro	125	-1.0
Abbey National	125	-1.0
Anglo Irish Bank	125	-1.0
Barclays	125	-1.0

BREWERIES, PUBS & REST

Name	WPS	Price change
Abellio	125	-1.0
Amstel	125	-1.0
Amstel Lager	125	-1.0
Amstel Pilsner	125	-1.0

BUILDING & CONSTRUCTION

Name	WPS	Price change
ABP	125	-1.0
Admiral	125	-1.0
Admiral Holdings	125	-1.0
Admiral Insurance	125	-1.0

DIVERSIFIED INDUSTRIALS

Name	WPS	Price change
Anglo American	125	-1.0
Anglo-Dutch	125	-1.0
Anglo-Shell	125	-1.0
Anglo-Suisse	125	-1.0

ELECTRICITY

Name	WPS	Price change
Centrica	125	-1.0
Edison	125	-1.0
Edison International	125	-1.0
Edison Long Island	125	-1.0

BUILDING MATE. & MERCHANTS

Name	WPS	Price change
ABP	125	-1.0
Admiral	125	-1.0
Admiral Holdings	125	-1.0
Admiral Insurance	125	-1.0

ELECTRONIC & ELECTRICAL EQPT

Name	WPS	Price change
ABP	125	-1.0
Admiral	125	-1.0
Admiral Holdings	125	-1.0
Admiral Insurance	125	-1.0

CHEMICALS

Name	WPS	Price change
AGA Day	125	-1.0
AGFA	125	-1.0
Albert Heijn	125	-1.0
Barclay & Wilson	125	-1.0

CHEMICALS - Cont.

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclay's	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0

ELECTRONIC & ELECTRICAL EQPT - Cont.

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0
Barclays	125	-1.0

EXTRACTIVE INDUSTRIES - Cont.

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0
Barclays	125	-1.0

HOUSEHOLD GOODS - Cont.

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0
Barclays	125	-1.0

INVESTMENT TRUSTS - Cont.

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0
Barclays	125	-1.0

ENGINEERING

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0
Barclays	125	-1.0

FOOD PRODUCERS

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0
Barclays	125	-1.0

INSURANCE

Name	WPS	Price change
Barclay & Wilson	125	-1.0
Barclaycard	125	-1.0
Barclays	125	-1.0
Barclays	125	-1.0

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Avg. Vol. 100

Avg. Price £1.00

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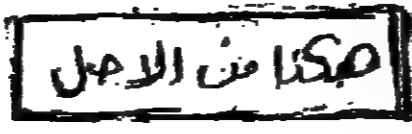
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Offshore Insurances and Other Funds



Highs & Lows shown on p. 52

High & Lows shown on a 52 week basis

WORLD STOCK MARKETS

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NYSE PRICES

4 pm class August 2

NASDAQ NATIONAL MARKET

477 *Chem. Abstr.* 2

AMEX PRICES

Journal of Oral Rehabilitation 2003 30: 103–109

	IV	Sa		IV	Sa		IV	Sa		IV	Sa		IV	Sa			
Stock	Div.	E	1000	High	Low	Close	Stock	Div.	E	1000	High	Low	Stock	Div.	E		
Adv Magn	19	88	162 ^g	172 ^g	172	172	Conex FdA	13	2100	53 ^g	57 ^g	57 ^g	57 ^g	Hesco	0.10	25	
Alm Inc	11	35	2	13 ^g	2	13 ^g	Crossat A x 0.84	1	22	14 ^g	13 ^g	13 ^g	13 ^g	Honeywell	0.10	25	
Alpha Ind	125	414	75 ^g	75 ^g	75 ^g	75 ^g	Crown CA	0.40	1	5	14 ^g	14 ^g	14 ^g	14 ^g	MTR	7	21
Alpha Int'l Pa	104	7	15	38	37 ^g	38	Crown CB	0.40	1	16	14 ^g	14 ^g	14 ^g	14 ^g	Pegasus G	0.10/122	933
Amoco	0.05	3	2735	10	91 ^g	10	Cubic	0.57	22	112	31 ^g	30 ^g	31 ^g	31 ^g	Perini	0.80	1
AmocoExpl	28	228	12 ^g	12	12 ^g	12 ^g	Continental	17	17	21 ^g	21 ^g	21 ^g	21 ^g	Int'l Coms	0.33	13	
Amoco-HoA	51	7	4 ^g	4 ^g	4 ^g	4 ^g	Dillards	3	1437	11 ^g	11 ^g	11 ^g	11 ^g	Interstate	41	28	
AM Int'l	240	8	5	175 ^g	175 ^g	175 ^g	Ducommun	13	207	16 ^g	16 ^g	16 ^g	16 ^g	Int'l Corp	0.10	121779	
Amtech	15	82	52 ^g	54 ^g	56 ^g	57 ^g	Eaton Co	0.46	33	7	13 ^g	13 ^g	13 ^g	13 ^g	Reggiani	27	2100
Andover A	7	63	4 ^g	42 ^g	45 ^g	45 ^g	Echo Bay	0.07	29	4830	10 ^g	10	10 ^g	Kinect Cp	10	10	
Andover/Ba	1	1	2	1	1 ^g	1 ^g	Econ E A	0.32	22	28	7 ^g	6 ^g	7 ^g	7 ^g	Reliance	0.16	2100
Andover/Ba	51	2	4 ^g	4 ^g	4 ^g	4 ^g	Edifice Re	20	53	10 ^g	10 ^g	10 ^g	10 ^g	Rheem	0.10	12	
Andover/C	0.08	11	10	2 ^g	2 ^g	2 ^g	Epitope	33	433	14 ^g	12 ^g	14	14 ^g	Richards	0.10	16	
Andover/Ha	0.38	12	5	23	25 ^g	25	Fab Insts	0.70	19	14	26 ^g	26 ^g	26 ^g	26 ^g	Robins	0.20	12
Andover/Ha	0.04	26	144	31 ^g	31 ^g	31 ^g	Fair FdA	0.26	15	2100	50 ^g	50 ^g	50 ^g	50 ^g	Telco Prod	0.40	16
Andover/Ha	0.04	11	140	16 ^g	16 ^g	16 ^g	Farmer	17	1578	26 ^g	35 ^g	36 ^g	36 ^g	Thermex	0.55	488	
Andover/Ha	0.04	13	20	24	24 ^g	24 ^g	Fast Lin	11	94	74 ^g	67 ^g	74 ^g	74 ^g	Thermon	32	203	
Andover/Ha	0.40	26	32	24 ^g	24 ^g	24 ^g	Frequency	11	94	74 ^g	67 ^g	74 ^g	74 ^g	Thermofax	0.30/19	147	
Andover/Ha	0.04	13	185	20	20 ^g	20 ^g	Gann	0.80	15	71	18 ^g	18 ^g	18 ^g	18 ^g	Thermofax	4	30
Andover/Ha	0.38	11	21	17 ^g	21 ^g	21 ^g	Giant FdA x	0.76	19	2980	34 ^g	34 ^g	34 ^g	34 ^g	Thermofax	0.50	58
Andover/Ha	0.38	11	528	22 ^g	21	21	Giant FdA x	0.70	12	222	18 ^g	18 ^g	18 ^g	18 ^g	Thermofax	0.07/11	511
Andover/Ha	0.38	11	48	19 ^g	19 ^g	19 ^g	Goldfield	10	81	5 ^g	5 ^g	5 ^g	5 ^g	Thermofax	0.07/15	3474	
Andover/Ha	0.04	23	104	19 ^g	19 ^g	19 ^g	Hamlin	3	833	11 ^g	11 ^g	11 ^g	11 ^g	Ufo Foods	21	2100	
Andover/Ha	0.04	1	10	4 ^g	4 ^g	4 ^g	Hector x	0.40	18	1261	26 ^g	35 ^g	26 ^g	26 ^g	Ufo Foods	0.20	23
Andover/Ha	0.15	15	2100	30 ^g	30 ^g	30 ^g	Hector x	0.40	18	1261	26 ^g	35 ^g	26 ^g	26 ^g	US Cellul	18	95
Andover/Ha	0.14	29	2	57 ^g	56 ^g	56 ^g	Hector x	0.40	18	1261	26 ^g	35 ^g	26 ^g	26 ^g	US Cellul	18	95
Andover/Ha	0.81	144	4 ^g	4 ^g	4 ^g	4 ^g	Hector x	0.40	18	1261	26 ^g	35 ^g	26 ^g	26 ^g	Vaccon A	115	1119
Andover/Ha	0.20	14	57	20	19 ^g	20	Hector x	0.40	18	1261	26 ^g	35 ^g	26 ^g	26 ^g	Vaccon B	121	9157
Andover/Ha	0.20	14	57	20	19 ^g	20	Hector x	0.40	18	1261	26 ^g	35 ^g	26 ^g	26 ^g	WNET	1.12	18
Andover/Ha	115	31	104 ^g	104 ^g	107 ^g	107 ^g	Hector x	0.40	18	1261	26 ^g	35 ^g	26 ^g	26 ^g	WNET	125	125

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MONDAY 5

Korean presidents' trial

The trial for sedition of South Korean presidents Chun Doo-hwan and Roh Tae-woo is scheduled to end. Prosecutors are expected to ask for the death penalty, although this is thought an unlikely outcome when the court announces the sentence in mid-August. The two former presidents and 14 other defendants are on trial for conducting a 1978 army coup and ordering the bloody suppression of a 1980 pro-democracy demonstration in the south-west city of Kwangju.

Sao Paulo curbs car use

Brazilian motorists in traffic-logged Sao Paulo, the largest and most polluted city in South America, must leave their cars at home one day a week from today until the end of the month. Cars will be grounded for one working day in five according to the final number on their licence plates. The move has upset some residents who face a fine of R\$100 (US\$88) for non-compliance.

Returning for 10m videos

Work starts on returning nearly 10m videos and television sets in the UK, in preparation for the launch of Channel 5, the terrestrial television channel, on January 1. The company is to employ 7,000 engineers and estimates the cost of returning will be £35m. Channel 5 is backed by a consortium including Pearson (owner of the Financial Times) and United News & Media.

Bosnian poll deadline

Electoral registration closes for Bosnians living outside the former Yugoslav republic who intend to vote in the September elections. The Organisation for Security and Co-operation in Europe, which is organising the poll, extended the deadline in order to allow as many Bosnian refugees as possible the chance to register. With 1.4m of the country's 3.2m voters living abroad, the election is seen as a chance to help reunite Bosnia after four years of war.

Building society subsumed

After 150 years of northern thrift,

National & Provincial, until today the UK's seventh-largest building society,

disappears as a brand as it is formally

subsumed into Abbey National, the

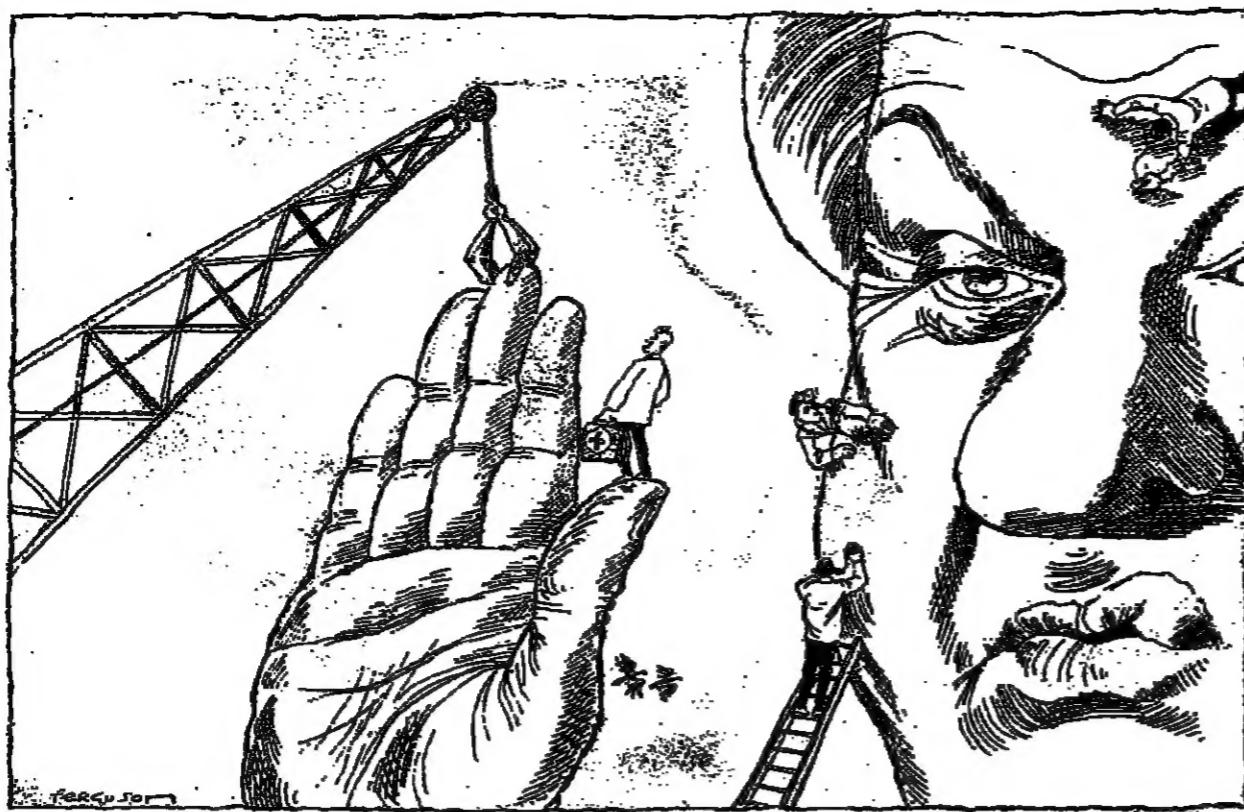
bank which took over the society for £1.35bn. The N&P name will be

replaced with the Abbey banner on 300

branches.

Public holidays

Australia (New South Wales and Northern Territory), Bangladesh, Canada (except Quebec), El Salvador, Irish Republic, Scotland, Bahamas,



Full support: Boris Yeltsin is sworn in as Russian president on Friday, but attention will be focused as much on his health as the pomp

Barbados, British Virgin Islands, Dominica, Jamaica, Grenada, Zambia, Iceland.

TUESDAY 6

Buenos Aires gains mayor

Fernando de la Rúa, a member of Argentina's Radical party, takes over as the first elected mayor of Buenos Aires after his resounding victory in May elections over the Peronist party, which governs at national level. Mr de la Rúa, who may use the post to launch a presidential bid in 1999, inherits a wealthy city, but one plagued by corruption and mismanagement. Previous mayors were appointed by the president.

Japan bomb anniversary

In the week of the 51st anniversary of the dropping of atomic bombs on Hiroshima and Nagasaki, the Japanese mark the occasion with traditional solemnity. Mr Ryutaro Hashimoto, the prime minister, is to attend services in Hiroshima today and in Nagasaki on Friday. Two rival anti-nuclear groups hold their annual World Ban the Bomb conventions in the two cities. The Communist-backed Japan Council against A and H Bombs and the Socialist-aligned Japan Congress against A and H Bombs split in the 1960s over differing attitudes towards the Soviet Union's atomic bomb tests.

Olympic show in Athens

Athens stages an extravagant official welcome for Greece's eight Olympic medallists at Atlanta. The country is celebrating its best performance in the Olympics with an event which will

conveniently help Athens advertise its attempt to stage the games in 2004. A torch-lit ceremony will be held at the marble stadium where the first modern games were held in 1896.

UK water company in court

The UK Department of the Environment takes South West Water, one of the UK's nine privatised water and sewerage companies, to court for the alleged contamination of its water supplies. The case stems from an incident last year when 576 people in south Devon experienced stomach upsets caused by an outbreak of cryptosporidiosis.

Rowing

World championships, Strathclyde, Scotland (to Aug 11).

Equestrianism

Dublin Horse Show, Ireland (to Aug 11).

Public holidays

El Salvador, Bolivia, Grenada, United Arab Emirates, British Virgin Islands.

WEDNESDAY 7

Gambia democracy vote

Gambians vote on a new constitution to prepare for the return of democratic rule. Captain Yaya Jammeh, who leads

the country's military regime, has promised to lift a ban on political parties following the poll in order to prepare for a presidential election on September 11. However, he has warned political aspirants they will be "executed" if they cause trouble in the run-up to the presidential vote. The Commonwealth says it expects the reforms to lead to democracy by the end of the year. Gambia has been under military rule since July 1994.

Communists reorganise

Russia's Communists are holding a congress in Moscow to remodel themselves as a coalition of communist and nationalist forces, following their candidate's loss in the presidential election last month. The organisation is expected to form a broad-based opposition to President Boris Yeltsin, and intends to participate in local authority elections later this year.

UK inflation report

The Bank of England publishes its quarterly report on the outlook for UK inflation. Eddie George, the governor of the Bank, disagreed with the chancellor's decision to cut interest rates to 5.75 per cent on June 5, so analysts will be keen to see how concerned the Bank is now that inflation is set to run above target in two years. The report will also be scrutinised for hints about the Bank's views on the Budget in November, after a warning from the International Monetary Fund that there was no scope for tax cuts.

Public holidays

Colombia, Ivory Coast, British Virgin Islands, St Lucia, Western Samoa.

THURSDAY 8

Argentine strike called

The CGT trades union congress is calling a general strike to protest against measures aimed at cutting workers' pay, through ending tax exemption on luncheon and supermarket vouchers and trimming wage supplements. Domingo Cavallo, the economy minister who proposed the measures, has since been sacked, but Roque Fernández, his successor, has vowed to push through the measures. The governing Peronist party has been working behind the scenes to stop the strike but, short of scrapping the controversial measures, is thought to have little chance of success.

Cricket

Second Test, England v Pakistan, Headingley, Leeds (to Aug 12).

Golf

US PGA championship, Louisville, Kentucky (to Aug 11).

Public holidays

Iraq, Tanzania.

FRIDAY 9

Yeltsin inauguration

In the first ceremony of its kind, Boris Yeltsin is to be inaugurated as president of Russia after his decisive victory in elections last month. Senior foreign dignitaries and the presidents of most of the Commonwealth of Independent States will watch Mr Yeltsin sworn in for a four-year term. But all eyes will be looking for signs to gauge the health of Mr Yeltsin, who has not been seen in public since the elections. The ceremony is expected to be a lavish affair with a new anthem composed for the occasion.

Public holidays

Singapore, South Africa, Ecuador.

SATURDAY 10

Ulster Protestants march

Northern Ireland faces further sectarian clashes when local Catholic nationalists seek to oppose a Protestant march by the Apprentice Boys in Londonderry, marking the siege of the city by the Catholic forces of King James II in the 17th century. Local politicians and churchmen have attempted to mediate a compromise, to avoid the ugly scenes last month when a police decision to allow a Protestant Orange march through a Catholic area resulted in province-wide rioting.

New president for Ecuador

Abdala Bucaram takes office as Ecuador's president after his surprising eight-point victory in the July 7 election. The 44-year-old populist ran a

vigilant campaign, with attacks on the concentration of political and economic power, promises of more houses, basic services, health and education, and a continued role for the state as employer. His platform won him the support of poorer voters, but unnerved businessmen and foreign investors. These have since been reassured by signs of continuity with the outgoing government, which had slowed annual inflation from 55 per cent to 23 per cent.

Athletics

IAAF grand prix meeting, Monte Carlo.

SUNDAY 11

Perot seeks nomination

Ross Perot, the Texan billionaire, and Richard Lamm, the former Colorado state governor, seek the nomination of the Reform party as US presidential contender. The two candidates put their case to a convention in Long Beach, California, after which voting takes place by a postal ballot of the party's 1.3m members. The result is expected to be announced at a second convention on August 18.

Edinburgh festival opens

The 50th Edinburgh International Festival opens. Among the artists appearing over the next three weeks are the Mark Morris and Pina Bausch dance companies and the Russian National Orchestra. In the theatre programme there are new productions by Robert Wilson. Edinburgh also plays host to the Fringe – with more than 9,000 performers in 14,000 productions – a film festival and a television festival.

Mugabe marks Heroes' day

Robert Mugabe, the president of Zimbabwe, marks Heroes' day with his customary address. Surrounded by giant bronze statues and panels, Mr Mugabe has previously used the occasion to launch attacks on whoever is unpopular with the ruling party. Last year he denounced homosexuals as "lower than dogs and pigs" and is expected to return to the issue following a ban on gay-rights organisations last month.

Athletics

Bupa international meeting, Sheffield, England.

Motor racing

Hungarian grand prix, Budapest.

Public holiday

Zimbabwe.

Compiled by Nick Mayhew-Smith.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Jun industrial production*	0.1%	0.8%	Fri	Japan	Jul overall wholesale price index*	0.1%	0.0%
Aug 1	UK	Jun industrial production**	1.8%	1.3%	Aug 9	Japan	Jul overall wholesale price index**	1.3%	1.4%
	UK	Jun manufacturing output*	0.3%	0.0%		Japan	Jul domestic wholesale price index**	-1.0%	
	UK	Jun manufacturing output**	0.1%	0.0%		Japan	Jul machinery orders ex elect & ships*	10.8%	18.9%
	UK	Jul MO*	0.6%	0.9%		Japan	Jul machinery orders ex elect & ships**	-2.7%	-5.2%
	UK	Jul MO**	7.0%	7.3%		Switz	Jul unemployment rate	4.4%	4.4%
	US	Jun leading indicators	0.39%	0.3%		Canada	Jul employment †	-0.4%	
	US	June home completions	1.38m	1.37m		Canada	Jul unemployment rate	10.0%	
	Tues	Germany Jul unemployment (West)	4.5k	7k		US	Jul producer price index	0.2%	0.2%
	Aug 6	Germany Jul unemployment (East)	-1k	-3k		US	Jul prod price ex food and energy	0.2%	0.2%
	Germany	Jul unemployment (pan Ger)†	6k	3k		Canada	Jul housing starts, units	134k	
	Germany	May employment (West)†	8k	12k		US	Jul bank credit	1.6%	
	Germany	Jul vacancies (West)†	3k			US	Jul C and I loans	4.4%	
	Germany	Jul short time (West) nott	-8k			During the week...			
	Wed	Denmark May trade balance ex-shipments nott	Dkr2.3bn	Dkr1.9bn		Germany	Jun retail sales*	-1.0%	-3.0%
	Aug 7	Denmark May current account	Dkr-0.5bn	Dkr1.0bn		Germany	Jun retail sales†	0.0%	-1.0%
	US	Jun wholesale trade	unch			Germany	Jun manufacturing orders (pan Ger)*	-0.3%	-0.7%
	US	Jun consumer credit	\$6.0bn	\$4.7bn		Spain	Jul registered unemployment	14.2%	
	Japan	Jun current account IMF nott	Y895bn	Y902bn		Germany	Jul final cost of living (West)	0.1%	
	Japan	Jun trade balance IMF nott	Y1.15Sbn			Germany	Jul final cost of living (West)†	1.2%	
	Japan	June foreign bond investment	Y971bn			Germany	Jul final cost of living (pan Ger)†	0.4%	0.1%
	Thurs	Denmark Jun unemployment	8.9%	8.8%		Germany	Jul final cost of living (pan Ger)**	-1.6%	-1.6%
	Aug 9	US M1 week ended July 29	\$6.0bn	\$5.4bn		Germany	May trade balance	DME8.5bn	DME8.2bn
	US	M2 week ended July 29	\$8.5bn	\$8.7bn		Germany	May current account	DM-1.1bn	DM-0.9bn
	US	M3 week ended July 29	\$7.5bn	\$7.0bn					

*Month on month, **year-on-year, †seasonally adjusted

Statistics, courtesy MMS International

U.S. \$200,000,000

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